Daily Report

Latin America

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FBIS-LAT-96-126 *28 June 1996*

CONTENTS

INTERNATIONAL AFFAIRS

International Affairs: Uruguay Hosts Seminar on WTO *[Madrid EFE]* 1

INTER-AMERICAN AFFAIRS

Inter-American Affairs: Southern Cone Seminar on Narcotics *[TELAM]* 2

CARIBBEAN

Cuba

Cuba: U.S. 'Unable To Impose' ICAO Agreement *[PRENSA LATINA]* 3
Cuba: Alarcon Says ICAO Agreement 'Very Important' *[PRENSA LATINA]* 3
Cuba: Helms-Burton Law Said To Benefit Tourist Trade *[PRENSA LATINA]* 4
Cuba: Havana Reports G-7 Meeting, Agenda *[Havana TV]* 4
Cuba: Foreign Minister Returns From South African Tour *[Havana Radio]* 5
Cuba: Foreign Ministry Spokesman on Robaina Tour *[Havana Radio]* 5
Cuba: U.S. Coast Guard Returns 6 Illegal Immigrants *[Havana TV]* 5
Cuba: VP Arrives in Italy, Meets With Officials *[PRENSA LATINA]* 6
Cuba: Castro Receives Honorary Doctorate From Japan *[Havana TV]* 6
Cuba: Counternarcotics Head Comments on Drug Situation *[Havana Radio]* 7
Cuba: Economic Efficiency Assemblies on Energy Savings *[Havana Radio]* 7
Cuba: Military Industrial Enterprise Assembles Computers *[Havana TV]* 8
Cuba: Matanzas Electrical Plant Rejoins Power System *[Havana TV]* 8
Cuba: Roundup of Economic Developments Through 26 Jun *[PRENSA LATINA, etc.]* 8

Dominican Republic

Dominican Republic: Poll Shows 51 Percent Fernandez Vote *[Madrid EFE]* 10

Haiti

Haiti: Voting Procedures for Communal Section Assembly *[LIBETE 22-28 May]* 11

MEXICO

Mexico: U.S. Said Obtaining Data on Firms Trading With Cuba *[LA JORNADA 24 Jun]* 13
Mexico: Compensatory Tariffs Demanded for U.S. 'Dumping' *[EL FINANCIERO 25 Jun]* 13
Mexico: Accords, Jul Congressional Session Cited *[LA JORNADA 20 Jun]* 14
Mexico: Special Session, Chiapas Forum Cited *[REFORMA 20 Jun]* 16

CENTRAL AMERICA

Honduras

Honduras: Armed Forces Statistics *[LA NACION 19 Jun]* 17

Panama

Panama: Virzi Gives Deposition, Admits Knowing Castrillon *[Panama City TV]* 17

Panama: Estripeaut Testifies at Attorney General's Office *[Panama City TV]* 17

SOUTH AMERICA

Argentina

Argentina: Courts Probe Firm, Arms Sales to Ecuador Ties *[CLARIN 23 Jun]* 19

Bolivia

Bolivia: News Summary for 25 Jun *[Social Communications Ministry WWW]* 19
Bolivia: News Summary for 26 Jun *[Social Communications Ministry WWW]* 20

Brazil

Brazil: Nation To Fight Laundering With Argentina *[Rio de Janeiro TV]* 20
Brazil: 'Hard Stance' Announced on Auto Talks for WTO *[GAZETA MERCANTIL 21 Jun]* .. 20
Brazil: 'Institutional' Support for Wasmosy Conveyed *[Brasilia Radio]* 21
Brazil: Assembly Passes Sao Paulo Privatization Program *[AGENCIA ESTADO]* 22
Brazil: Government Accelerates Fund Transfers to Counties *[AGENCIA ESTADO]* 22
Brazil: Bank of Brazil, Petrobras Privatization Viewed *[Rio de Janeiro TV]* 22
Brazil: Export Credit Insurance System To Be Implemented *[GAZETA MERCANTIL 21 Jun]* 23
Brazil: Cardoso Pleased With Approval on Voting Mechanism *[AGENCIA ESTADO]* 24
Brazil: Voters Polled on Elections in Rio de Janeiro *[Rio de Janeiro TV]* 24
Brazil: Treasury Issues R7.8 Billion in Bonds for BB *[O ESTADO DE SAO PAULO 19 Jun]* 25
Brazil: Investors, Economists Disagree on Risk Factor *[GAZETA MERCANTIL 19 Jun]* 26

Chile

Chile: Economic Agreement Signed With Mercosur *[ESTRATEGIA 26 Jun]* 29
Chile: Reactions to Association With Mercosur, EU Noted *[LA TERCERA DE LA HORA, etc.]* 36
Chile: Frei Interviewed on Mercosur, Trade With Asia *[CLARIN 25 Jun]* 37
Chile: Foreign Minister Comments on Objectives With EU *[EL MERCURIO 23 Jun]* 39

Colombia

Colombia: Attorney General Denies Bugging of U.S. Embassy *[Madrid EFE]* 39
Colombia: Samper Confirms Extradition Refusal *[AFP]* 39
Colombia: Court Head on 'Political Motives' of U.S. Request *[Santa Fe de Bogota Radio]* ... 40
Colombia: Deputy Prosecutor Says U.S. Request 'Legitimate' *[Santa Fe de Bogota TV]* 41
Colombia: Politicians React to U.S. Extradition Request *[Santa Fe de Bogota TV]* 41
Colombia: Justice Minister on U.S. Extradition Request *[Santa Fe de Bogota Radio]* 42
Colombia: U.S. Request Said To Delay Drug Capo's Surrender *[Santa Fe de Bogota TV]* 43
Colombia: Politicians React to Ex-Senator's Accusations *[Santa Fe de Bogota TV]* 44
Colombia: Samper Rejects Ex-Senator's Disclosure *[Santa Fe de Bogota TV]* 44
Colombia: Legislator on Conservative Party Division *[EL TIEMPO 25 Jun]* 45
Colombia: Noemi Sanin on Viability of Opposition *[EL TIEMPO 21 Jun]* 46
Colombia: 'Credibility Crisis' Said To Continue *[EL ESPECTADOR 26 Jun]* 46

Ecuador

Ecuador: 52 MiG, Sukoi Planes, 150 Tanks Said in Peru *[Quito Radio]* 47
Ecuador: Creation of Watch Posts Guarantors' Decision *[Madrid EFE]* 47
Ecuador: President on Government's Achievements, Failures *[Madrid EFE]* 48
Ecuador: Lima Report of Military Coup Plotting Dismissed *[EL SOL]* 49

Paraguay

Paraguay: Senate Resolution 'Deplores' Law Approval *[Asuncion TV]* 49

Paraguay: Brazilian President Arrives on Visit *[Asuncion TV]* 50
Paraguay: Wasmosy, Cardoso Sign Joint Communique *[ULTIMA HORA 27 Jun]* 50
Paraguay: Wasmosy Denies Brazilian Daily's Itaipu Charges *[ABC COLOR 23 Jun]* 51
Paraguay: Allegations of Corruption Involving Itaipu *[ULTIMA HORA 26 Jun]* 51
Paraguay: Minister on Country's Achievements in Mercosur *[ULTIMA HORA 24 Jun]* 51
Paraguay: Brazil Sees No Need for Armed Forces Integration *[NOTICIAS 26 Jun]* 52
Paraguay: Former President Rodriguez Confirms Revolt *[NOTICIAS 22 Jun]* 53
Paraguay: General Ayala Named Antinarcotics Chief *[ABC COLOR 25 Jun]* 53

Peru

Peru: Clinton Exerting 'Pressure' for Peace With Ecuador *[EXPRESO 25 Jun]* 54
Peru: Confirmation of Ecuador's Leoro Said 'Positive' *[Madrid EFE]* 55

Venezuela

Venezuela: Colombian Forces To Develop Missiles for Border *[EL NACIONAL 25 Jun]* 55

Suriname

Suriname: Purge of Bouterse Supporters in Army Reported *[Amsterdam DE VOLKSKRANT 27 Jun]* 56

International Affairs: Uruguay Hosts Seminar on WTO

PY2706032496 Madrid EFE in Spanish
1617 GMT 26 Jun 96

[FBIS Translated Excerpt] Montevideo, 26 Jun (EFE) — Uruguayan Vice Foreign Minister Carlos Perez del Castillo emphasized today that Latin America "must champion multilateralism at all costs as a way of attenuating the powerful countries" in international trade.

Latin America represents barely 3.5 percent of international trade. He added: "And we cannot be so naive as to believe that we will neutralize the political and economic might of world powers. With strict laws, however, we will protect Latin American rights, interests, and goals in the WTO."

Perez del Castillo made these remarks while opening a seminar on "The WTO and the International Trade Agenda," sponsored by the Foreign Ministry, UNCTAD, and the WTO.

Perez del Castillo emphasized to EFE: "Clear laws and legal security are essential to attract investors, thus increasing employment and enhancing Latin American development." [passage omitted]

The Uruguayan vice foreign minister emphasized that both Uruguay and Latin America "must closely monitor the implementation of the agreements achieved in the WTO."

In the wake of the "Uruguay Round" and the changing international situation, "Latin America must train a new generation of negotiators who must not only be trade experts, but also experts in intellectual property rights, the environment, and other affairs closely linked to trade," Perez del Castillo said. [passage omitted]

The Uruguayan vice foreign minister noted that, in keeping with the current international trade situation, future negotiations will not be based on barriers or tariffs alone, "but will include national trade policies in the pursuit of common laws and systems for countries to have leverage on international trade."

WTO, UNCTAD, SELA [Latin American Economic System], and OAS experts, as well as experts and diplomats from various Latin American countries, are participating in this seminar, which is being held at the Uruguayan Foreign Ministry, and is slated to end on 28 June.

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Inter-American Affairs: Southern Cone Seminar on Narcotics

PY2806035396 Buenos Aires TELAM in Spanish 2150 GMT 27 Jun 96

[FBIS Translated Text] Buenos Aires, 27 Jun (TELAM) — Antinarcotics Secretary Julio Cesar Araoz warned today about the inroads drug trafficking is making in the world and announced operations against the scourge together with other Southern Cone countries.

Araoz stressed the idea of "shared responsibility against drugs, leaving behind 10 years of old discussions" when closing the meeting of Southern Cone drug trafficking experts.

Representatives of Argentina, Brazil, Chile, Paraguay, and Uruguay participated in the meeting and deliberated for three days in this capital.

At the end of the meeting, it was resolved to carry out coordinated and simultaneous operations at the regional level within the framework of "Southern Cone Operations," according to a communique. The preparations for these operations will be carried out over the next 30 days, the document says.

"Enough of producer, consumer, and transit countries, because we use the definition to blame each other and not to fight drugs," Araoz said.

The official said that "drug trafficking is making real inroads in the world, and the illegal trade moves $500 billion per year."

"Drug trafficking is destroying institutions and peoples. Argentina occupies a privileged position with an addiction rate of 0.9 percent, a figure that compares favorably with the 6 percent in the United States and the 6 percent to 11 percent in European countries."

The official stressed the need for "international prevention efforts against drug trafficking" as an "essential element for the next century."

Araoz recalled that "President Carlos Menem today signed the decree establishing the crime of money laundering, which has a very important implication: We will be able to punish the use of illegal money produced by drug trafficking."

The secretary mentioned the next presidential inauguration of the Federal Prevention Program for the entire country, stressing that "we have decided that the forces responsible for repressing drug trafficking should form part of the joint strategic command."

Daniel Lacase, planning, control, and legalization under secretary, evaluated the meeting, stressing the "planning of operations that will be carried out."

Lacase pointed out the need to control and identify drug trafficking operations, explaining that "we have established different programs involving various countries, at the binational or trinational levels."

"We established norms for an improved control of borders and to coordinate not only operations, but also the legislation of each one of these countries," the official said.

Lacase warned that "before 30 July we will carry out those operations, which will be a surprise and will continue during the next four months."

Among the objectives of these coordinated operations, the Southern Cone countries' representatives mentioned efforts to stop the contraband and illegal distribution of chemical precursor imports and exports. The representatives also agreed, among other measures, to stop and seize drugs, to develop intelligence work, and to establish a network of information in the areas where the operations will take place.

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Cuba

Cuba: U.S. 'Unable To Impose' ICAO Agreement

PA2806020796 Havana PRENSA LATINA in Spanish 0012 GMT 28 Jun 96

[FBIS Translated Text] Montreal, 27 Jun (PL) The United States was unable to impose a resolution condemning Cuba at the International Civil Aviation Organization [ICAO] meeting, which concluded today in this city.

A resolution approved by this organization only mentions the report on the investigations of the 24 February violation of Cuban air space.

The document, approved by consensus, reaffirms the principle that all states must adopt measures to keep registered civilian aircraft in their own territory or keep persons having their main offices or permanent residence in that territory from engaging in any action incompatible with the International Civil Aviation Convention.

This note implicitly acknowledges the U.S. responsibility in the activities of groups headquartered in U.S. territory that are involved in the violation of the island's air space.

The resolution resolves to transmit the ICAO commission report to the UN Security Council, requests that all the ICAO member states be informed, and that they, in turn, inform the organization of any thoughts or observations on the rules of the agreement.

The ICAO Council agreement means, in practical terms, the disregarding of the U.S. proposal, which was a severe condemnation of Cuba for the downing of two pirate planes over the largest of the Antillean islands.

A delegate to the meeting told PRENSA LATINA that it also means that it will be very difficult for Washington to use the conclusions of the meeting to secure a condemnation of Cuba at the UN Security Council.

This intention was reiterated on several occasions by U.S. Transportation Secretary Federico Pena, chief of the U.S. delegation, during the work sessions, and by U.S. Under Secretary of State Peter Tarnoff.

The ICAO also asked that the states abstain from using weapons against planes, but did not apply this application to the aircrafts downed over Cuban waters.

Finally, the ICAO expressed its condolences to the relatives of the persons who died during the illegal incident in Cuban air space, but did not censure Cuba for the consequences of the action by the Brothers to the Rescue organization.

U.S. Transportation Secretary said at the end of the session that what was approved was substantially different from what the United States had proposed.

Cuba: Alarcon Says ICAO Agreement 'Very Important'

PA2806043496 Havana PRENSA LATINA in Spanish 0212 GMT 28 Jun 96

[FBIS Translated Text] Montreal, 27 Jun (PL) — Ricardo Alarcon, president of the National Assembly of the People's Government [ANPP], described as very important today's agreement reached by the International Civilian Aviation Organization [ICAO] and highlighted the U.S. failure, which sought to have Cuba condemned.

Alarcon spoke favorably of the document and explained that this was achieved with the firm position of several countries, which forced Washington's intention to fail.

During a news conference given by the Cuban consulate here, the head of the delegation recalled the inappropriate conditions faced by the organization, including the U.S. pressures.

At the ICAO Council an example was made of what a dignified and rational attitude maintained by many delegations can achieve, he underscored.

Alarcon said after the resolution was approved that U.S. Secretary of Transportation Federico Pena admitted before the plenum that this was something substantially different from what Washington had proposed.

He said that the U.S. delegation tried several times to no avail to include a specific mention that would blame Cuba for the incident that ended with the downing of two airplanes that violated its airspace on 24 February.

My delegation expressed its acceptance of the text of the approved resolution and I congratulate council members for the way they acted, Alarcon added.

He said that UN Security Council members will have before them a specific situation because the United States requested an ICAO condemnation of Cuba and did not get one. [as received]

It is going to require a lot of work by the U.S. delegation to impose the plan announced by Assistant Secretary of State Peter Tarnoff a few days ago, he underscored.

Lastly, Alarcon said that the ICAO decision included a clear rejection of the use of civilian aircraft for other types of activities, such as those carried out by the U.S.-based organization responsible for the 24 February incident.

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Cuba: Helms-Burton Law Said To Benefit Tourist Trade

PA2706235196 Havana PRENSA LATINA in Spanish 2152 GMT 24 Jun 96

[By Roberto F. Campos]

[FBIS Translated Text] Havana, 24 Jun (PL) — Official sources have indicated that surprisingly, the Helms-Burton law benefits the marketing and ranking of Cuban tourism because it stirs interest in the island in places where it was not known before.

Today, Cuban Tourism Vice Minister Eduardo Rodriguez de la Vega revealed that while no new agreements were signed with foreign firms in 1995, four joint enterprises and eight economic associations in the tourism sector were established between March and May of 1996.

These reports, disclosed three months after the approval of the U.S. legislation, are designed to internationalize Washington's economic, commercial, and financial embargo on the island.

De la Vega spoke to 60 delegates during the 2d Congress of the Catalonian Association of Tourism Journalists and Writers (ACPETUR), which was inaugurated at the Riviera Hotel in Havana today.

In addition, the official noted that thus far, 13 joint enterprises have been set up in this sector. These enterprises have, so far, completed 8,905 hotel rooms at a cost of $728 million.

Of this figure, he added, 1,700 rooms are already available, while the rest are being built or remodeled (a hotel with 316 new rooms will be inaugurated on 26 July). He explained that 36 hotels are under foreign management, which represents 30 percent of all the country's hotels (160).

Concerning the Spanish firm Paradores de Turismo de Espana, which recently announced its suspension of negotiations with Cuba, Rodriguez clarified that Cuba had signed a letter of intent and the suspension was due to a change in the company's plans rather than U.S. pressure.

He stressed that thus far, this measure has brought about more advantages than damages, since currently, Cuba is known all over the world and this benefits marketing actions and the ranking of the island's touristic offers.

Rodriguez added that prospects for the year 2000 focus on consolidating the quality of services. He recalled that in 1995, Cuba received 741,400 foreign visitors and up to last May, it registered a growth in this sector of 46 percent.

At the beginning of the year 2000, Cuba should have completed approximately 50,000 rooms with top facilities. Currently, Cuba has slightly over 23,000 of those rooms, Rodriguez indicated.

The ACPETUR chose this nation to host its congress for its strong tourist appeal in the Spanish market, particularly in Catalonia, and for the historic links between the two countries.

During the inauguration, Jose Maria Pallas, general director of the Catalonian Agency of Tourist Technology, spoke about the technical aspects of this industry, such as its multiplier effect and the relations between the public and the private sector.

He called attention to the need for a strong administration that meets the demands of the sector and mentioned, among current trends: the emergence of large transnational enterprises; the growing specialization of the markets; speedy technological progress; and implementation of quality strategies.

In addition, the participants listened to details on the Cuban tourist industry by Cuban researcher Pilar Caballero; topics on personnel training by Ricardo Machado; and debates on different organizations linked to this sector, based on the growing significance of tourism in the world.

This is the second time that a ACPETUR congress has been held outside of Catalonia. The ACPETUR's program includes tours by the delegates to points of interest in this capital and contacts with representatives of the leading Cuban tourism organizations.

Prior to the activities conducted during the plenary session, the Catalonian guests visited Varadero, Cuba's primary beach resort, located approximately 140 km east of Havana, as well as other points in Matanzas Province, including the Cienaga de Zapata Natural Park (Montemar).

On Thursday, a roundtable, dubbed "Specialized Tourism Information in Catalonia and Cuba," will be held and speakers representing the leading Cuban media are expected to attend.

Cuba: Havana Reports G-7 Meeting, Agenda

PA2806023996 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 28 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] The chiefs of state and governments of the G-7 nations today initiated a three-day summit in the French city of Lyons.

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The agenda centers on the struggle against terrorism, the globalization of the economy, and commerce differences.

Regarding this last point, Canada and the EU cautioned today that they will oppose any plan to have other topics on the G-7 agenda overshadow their intention to ask the United States to explain the Helms-Burton law and its extraterritorial effects.

Canadian Foreign Minister Lloyd Axworthy said in a news conference that the law is a priority and that as he sees it, it should also be a priority of the international community and world commerce.

British, German, French, and Italian officials have stated their intention to bring the Helms-Burton law to the table and discuss it with the U.S. president.

Cuba: Foreign Minister Returns From South African Tour

PA2806044196 Havana Radio Havana Cuba in Spanish 0000 GMT 28 Jun 96

[From the "Evening Information Review" newscast]

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina stated that he found special gratitude and lots of solidarity in Southern Africa, regarding what Cuba did for those nations and the hopes that it represents for them. The Cuban foreign minister returned to Havana on Thursday after carrying out a second tour throughout Southern Africa in recent weeks. On this occasion the tour took him to Tanzania, Mozambique, South Africa, and Botswana.

Cuba: Foreign Ministry Spokesman on Robaina Tour

PA2806045496 Havana Radio Havana Cuba in Spanish 0000 GMT 28 Jun 96

[Report by Barbara Betancourt; from the "Evening Information Review" newscast — passages within quotation marks are recorded]

[FBIS Translated Text] Cuban Foreign Ministry Spokesman Miguel Alfonso termed as very fruitful the tour that Foreign Minister Roberto Robaina carried out through four African nations — Tanzania, Mozambique, South Africa, and Botswana.

[Alfonso] "This will encourage bilateral relations in the future, both in the political and economic sector; we have South Africa foremost in our mind."

In his customary meeting with local and foreign media, Alfonso confirmed the upcoming visit that the Cuban foreign minister will make to Chile.

[Alfonso] "He will visit Chile later in July for two specific purposes: to reciprocate the official visit carried out by Foreign Minister [Jose Miguel] Insulza earlier this year in Havana, and to make our foreign minister's official visit to Chile coincide with a meeting of the Chile-Cuba Bilateral Cooperation Commission."

He also referred to the European Parliament delegation that is in Havana, led by Stanley Newens, of the UK Labor Party.

[Alfonso] "They are all members of the European Parliament's Central American and Cuban section. This must be considered within the context of the continuation of contact between the European Union and Cuba. This is not a contact with the European Union's council or the commission, this is the European Parliament. I must emphasize that the parliamentarians are accompanied by officials, in this case officials in charge of Cuban issues, within the framework of the commission or the council. They are here. There are parliamentary members of various countries — the UK, Spain, Italy, Belgium, Germany, and the Netherlands, among others. They represent the different political groups of the European parliament."

Cuba: U.S. Coast Guard Returns 6 Illegal Immigrants

PA2606145696 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 22 Jun 96

[Report by Gladys Rubio; from the "NTV" newscast]

[FBIS Translated Text] Six illegal Cuban immigrants, intercepted at sea by the U.S. Coast Guard, were returned to Cuban authorities this afternoon.

On 18 June, U.S. naval vessels intercepted the six illegal Cuban immigrants, who were returned today to Cuban authorities at the port of Cabanas. This group left Cuba on 16 June abroad a makeshift raft. They were detected by the U.S. Coast Guard 35 miles south of Florida.

According to the migration agreements signed by Washington and Havana in May 1995, all those people who try to reach U.S. territory by illegal means are returned to Cuba.

With today's group, a total of 356 illegal immigrants have been handed over to Cuban authorities, 89 of which tried to use the Guantanamo base as the way out of Cuba.

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Cuba: VP Arrives in Italy, Meets With Officials

PA2606234896 Havana PRENSA LATINA in Spanish 1441 GMT 26 Jun 96

[FBIS Translated Text] Rome, 26 Jun (PL) — Today, Walter Beltroni, vice president of the Italian Council of Ministers, welcomed Cuban Vice President Jose Ramon Fernandez here in a special hearing. Fernandez and Beltroni held a talk, described as friendly by both parties.

During the meeting, held at the Government Palace, Fernandez and Beltroni analyzed the details of the meeting being held by the International Civil Aviation Organization (ICAO) and the "manipulation (by the United States) of the 24 February events."

On that day, the Cuban Air Force downed two planes, which, coming from Florida, violated the island's airspace.

The Helms-Burton law, conjured up by the United States to internationalize its blockade on Cuba, was also among the topics discussed. Within this context, they discussed the need to effectively protect Italian investments in Cuba.

In addition, Fernandez and Beltroni exchanged views about Cuba's dialogue with the EU and the need that this dialogue take place without any strings attached, as well as Italy's role in this regard.

According to the participants, the mutual resolve to keep open the channels of communication between the two governments was strengthened during this talk.

In his last day of activities in Rome, Fernandez also met with Fausto Nunziata, deputy comptroller general of the Republic. Nunziata will visit Havana soon.

Cuban Ambassador to Italy Mario Rodriguez attended the said meetings.

Cuba: Castro Receives Honorary Doctorate From Japan

PA2806013596 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 27 Jun 96

[From the "NTV" newscast]

[FBIS Summary] The lead story in the newscast is a report by Gladys Rubio saying that during a ceremony held at the Palace of the Revolution in Havana on 25 June, President Fidel Castro received an honorary doctorate degree from the Japanese Soka University, "in recognition of his efforts in Cuban health and education." The report adds that Katsu Takamatsu, dean of the Soka University, awarded this title.

The complete ceremony is transmitted at the end of the newscast, including a speech by President Fidel Castro.

In the initial part of his speech, Castro says he will try to be brief, and then thanks the "prestigious" Soka University for the honor bestowed on him, which is also for his comrades and the Cuban people, who receive it as a "generous gesture of true friendship."

After outlining some of Cuba's achievements in education and health since the triumph of the revolution, which continues today despite the difficult conditions resulting from the blockade, Castro says: "I have been thinking of how ignorant we are about this part of the world. How ignorant we are about Japan, its religion, its philosophy, its policies, its feelings. How ignorant we are about a large part of Eastern Asia, about its philosophy, its traditions, its history. We have educated ourselves according to western traditions. Geographical, historical, human, and even political factors have kept us apart. There has been little exchange, very few cultural, philosophical, historical contacts. Therefore, there is a void, a gap we must fill in. We cannot continue ignoring each other. We cannot continue to misunderstand each other simply because we do not know each other. We cannot continue losing an important part of the treasure of universal culture. In fact, if we want to live in peace, that understanding is vital. It is essential if we want to feel solidarity, and live as brothers, to live like civilized human beings."

Later, Castro says that although this is an academic ceremony, therefore, he will not refer to political matters, he must say "that all peoples in the world in the past, present, and future will feel the indignation and pain of knowing that nuclear weapons were used as an experiment against one country in the world." He adds that this was "an absolutely unjustified action, because that war really destroyed mankind in such a way that it was about to meet its end. I fail to understand, and no one will ever understand why those bombs were dropped not on a military target, but on the civilian population. Centuries will pass and no one will ever understand or justify it. That is why very few people have as much authority as you to talk about peace."

Talking about scientific contributions, Castro says: "Countries that not considered to be rich or developed can also contribute. There are ways to do it, and there is nothing more noble than that." He adds: "Why do we need thousands of nuclear weapons if the Cold War is supposedly over? Why do scientists have to develop more deadly, accurate and destructive weapons? Is it just to use human intelligence in that? I think anyone can understand this. Every time this subject is discussed in international conferences in which we can

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only speak for five or seven minutes — I have already gone over that time with you, for which I apologize — this subject is well-received, particularly among Third World countries. Those countries are unhappy with their current situation and they cannot even express their views. When they express their views, there are people who take reprisals, powerful people in the world who disagree with those ideas. The people in those countries, however, are feeling this; they are suffering and they see no answers or solutions."

(Video shows Palace of the Revolution ceremonial hall; Soka University dean approaching microphone stand, reading address. Camera shows Castro wearing navy blue dress suit, white shirt, blue and white stripped tie; also brief shots of Culture Minister Armando Hart and Politburo members Maria de los Angeles Garcia Alvarez, Abel Prieto Jimenez, and Vice President Carlos Lage — in that order — standing by Castro's side. Eusebio Leal, member of the Communist Party of Cuba Central Committee, is also present, among other Cuban officials. Cuban, Japanese guests stand in two rows on either side of the hall. Dean presents university diploma, medal, plaque, and seal to Castro. Brief shot of Japanese official pinning seal to Castro's lapel. Camera shows Castro addressing attendees. Castro speaks, and gestures animatedly.)

(Madrid EFE in Spanish at 1747 GMT on 26 June carries a Havana-datelined report on the ceremonies described above, confirming that this is the first time that Cuban President Fidel Castro has appeared in public in Cuba wearing civilian clothing.)

Cuba: Counternarcotics Head Comments on Drug Situation

PA2606153796 Havana Radio Rebelde Network in Spanish 1155 GMT 22 Jun 96

[From the "Doing Radio" program]

[FBIS Translated Text] The First International Seminar on Drug Abuse and Addiction took place here in Havana City over the past few days. One of the issues most debated was the drug situation in our country.

International drug trafficking has reached Cuba through its maritime and airport border points where the transport of drugs by important producer countries from the south to large consumers in the north, such as the United States, takes place. Part of that shipment reaches our coasts. Colonel Oliverio Montalvo, head of the National Counternarcotics Department, spoke with us about this issue.

[Begin Montalvo recording] This happens when this shipment falls into the hands of unscrupulous people, delinquents, and people who seek to make a profit from it. We have seen it in small amounts occasionally appearing in the Cuban market. Due to the country's conditions, due to the huge efforts being made in the area of public health, recreation, sports, and culture, we do not have a tradition of consuming drugs, much less of drug trafficking, domestically. [end recording]

So far this year, approximately 24 drug-trafficking operations have been detected at the Jose Marti International Airport, and 1.5 tons of cocaine and 1 ton of marijuana have been confiscated. Also, drugs that were not encountered before — being shipped through Cuba — such as hashish and heroin have been detected due to the increasing development of international drug trafficking and to the large market these drugs have in the United States.

[Begin Montalvo recording] Our authorities, police, other forces, and the Armed Forces are involved in this battle. We will continue to do everything possible, because do not want to allow the possibility of drugs entering Cuba. The only way drugs would enter Cuba would be through the use of force [a sangre y fuego], which means that drugs are not going to enter Cuba. Undoubtedly, those isolated cases that we can even see from a hotel window do not represent the great majority of our people nor the great majority of our youth. They are truly making their best effort to make our country advance. In the midst of our tremendous economic difficulties, when we have seen our gross national product drop to one fourth of what it was in 1989, our government, the National Drug Commission, and all other authorities involved in this battle are doing their utmost to furnish our institutions with human and material resources to fight it. [end recording]

Cuba: Economic Efficiency Assemblies on Energy Savings

PA2606160596 Havana Radio Rebelde Network in Spanish 1700 GMT 22 Jun 96

[Report by Demetrio Villa Urrutia; From the "National Radio News" newscast]

[FBIS Translated Text] The economic efficiency assemblies taking place nationwide have made it possible for the work centers to take a look at themselves. This is not always pleasant. This is why the current process of having economic efficiency assemblies will make it possible to look at the situation of many of our most important factories. The process will continue for the rest of this month and the next, or longer if extended. The most important thing is the analysis on how to increase economic efficiency using available local resources.

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In every meeting I have attended, I unfailingly heard the issue of energy savings being discussed and the question: Is it possible to produce when energy expenses are not covered by production?

Especially today, when the national economy is focusing more than ever on the issue of cost, there are still industries where energy savings are not a priority. This is why a sector as important as the nickel industry is today conducting a process of modernization. In order to attain greater efficiency, it is beginning to bear in mind the ratio between the amount of mineral produced and the amount of fuel used.

Another example: The Conrado Pina Factory is conducting a broad program of investments to avoid energy leaks in its facilities, another grave problem that hurts efficiency.

In these meetings summoned by the Cuban Workers Federation, this issue is gaining strength and as we Cubans often said: Once your shirt is off, the problems become clear and the possible solutions are brought up. That is the goal.

Cuba: Military Industrial Enterprise Assembles Computers

PA2706212896 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 23 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] The Revolutionary Armed Forces [FAR] have begun assembling microcomputers. The Grito de Baire Military Industrial Enterprise's (Aztec) Division is committed to producing over 200 units this year. They compete in the domestic market with lower prices, double the guarantee, and comparable quality. Five different types of machines are assembled here, and spare parts and peripherals are also sold. Furthermore, (Aztec) offers assistance and technical advice, as well as computer and audiovisual equipment maintenance and repair.

As a result of improvements in FAR enterprises, 45 people work at this facility, which will have an estimated revenue of over 500,000 pesos this year. This and other military enterprises meet the needs of the FAR.

(Aztec) responds to the call of the nation's economy, and today its customers surpass 50, among them Citricos Caribe, the National Marble Enterprise, National Union of Cuban Writers and Artists, and the University of Havana. This is about replacing imports and producing with less cost, thus saving the country more foreign currency.

(Aztec), belonging to the Grito de Baire Military Enterprise, has committed itself to a yearly 10-percent growth factor and the first six months' results point toward that goal.

Cuba: Matanzas Electrical Plant Rejoins Power System

PA2706212096 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 25 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] The Antonio Guiteras Electrical Plant in Matanzas has rejoined the national electrical power system following a scheduled maintenance stoppage. The work concluded two days ahead of schedule, and according to the experts, it was completed with the greatest quality.

The maintenance included oil changes and repairs to the boiler and main generator. The Guiteras, the largest and most efficient plant in the country, will stop operations for 15 days in December to undergo light maintenance.

At the time of this stoppage, the plant had established a record of 145 days of continuous operation.

Cuba: Roundup of Economic Developments Through 26 Jun

PA2706010596

[FBIS Report] The following is a compilation of reports on economic developments in Cuba monitored through 26 June.

According to a 14 June, La Paz-datelined item, Bolivia and Cuba agreed today to exchange business delegations in an attempt to increase bilateral trade and establish closer commercial ties after negotiating an agreement for this purpose. A Cuban Government delegation and the chambers of exporters of Bolivia and the Bolivia-Cuba business organization adopted the decision to exchange business delegations. (Havana PRENSA LATINA in Spanish 2045 GMT 14 Jun 96)

According to a 15 June, Madrid-datelined report, Ibrahim Ferradaz, Cuban minister of Foreign Investment and Economic Cooperation, met with more than 50 Spanish businessmen and briefed them on Cuba's economic recovery process and new investment opportunities. During the meeting, it was pointed out that foreign investment is already materializing in 34 sectors of the Cuban economy, telecommunications and tourism being key among them. Ferradaz explained that Spanish companies, along with Canadian, Mexican, and British companies, are the leading foreign investors and that the capital disbursed under the current

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legislation surpasses $2 billion. It was learned during the meeting that Cuba has already signed investment protection agreements with 16 nations, while another 27, including one with Greece, are currently being negotiated. Ferradaz also outlined the new prospects emerging in Cuba in the wake of the creation of several duty-free zones and regulations to set up industrial parks. (Havana PRENSA LATINA in Spanish 1224 GMT 15 Jun 96)

A 15 June, Havana-datelined item cites Vice President Carlos Lage saying today that the Cuban economy maintained a growth rate of 7 percent in the first half of 1996, even though the rate predicted for 1996 is 5 percent. Lage told Latin American deputies attending a seminar on the sovereignty and integration of Latin America and the Caribbean being held here that the first half of the year coincides with the conclusion of the sugar harvest, the country's leading activity, therefore, a more moderate increase in GDP is expected for the second half of the year. Lage noted that as a result of a higher than average rainfall, three or four mills in north-eastern Cuba and in the provinces of Las Tunas and Holguin have continued their grinding activities. Lage noted that thus far, the total produced amounts to 4.45 million metric tons of sugar compared to a goal of 4.5 million. He stressed that this year, Cuba will produce an unprecedented volume of nickel: approximately 150,000 metric tons. This figure represents an increase of over 40 percent compared to 1995. After registering a growth of more than 40 percent in tourism, approximately 25 percent in tobacco, and approximately 22 percent in agriculture, "we can say that the trend registered in the first quarter was maintained, despite the approval of the Helms-Burton law by the United States," Lage remarked. Concerning the investment trend, Lage indicated that "logically, investors are concerned over the anti-Cuban legislation, but above all, they feel offended and most of them have decided to stay in Cuba." Lage described the model followed by Cuba in the reform process as that of a mixed economy with the predominance of state-owned property. (Havana PRENSA LATINA in Spanish 1702 GMT 15 Jun 96)

According to a study conducted in Cienfuegos, many self-employed people work in different activities, including home restaurants, retail grocery stores, drivers of rented vehicles, video operators, and mill operators, among others. In all cases, the fixed rate was increased, ranging between 400 and 10,800 pesos, totaling 195,000 pesos. More than 6,200 self-employed people have received authorization in Cienfuegos. In the first quarter of 1996, the inspectors and supervisors detected 680 irregularities, of which 346 were fined. These fines amounted to 200,900 pesos. (Havana Radio Rebelde Network in Spanish 1700 GMT 17 Jun 96)

As of 1 July, modifications to the Republic of Cuba's Tariff Law, which readjusts the tariffs that must paid on products when they enter the country in the wake of the new characteristics of the national economy, will go into effect. In principle, these modifications respect all the international agreements signed by Cuba in this regard and establishes an incremental tariff, whereby the raw materials will be placed at the bottom level while finished goods will be placed at the top level. In addition, these modifications stipulate a maximum tariff of 30 percent, which is more than enough for local producers to be able to manufacture and compete in our market against foreign products. This policy does not establish protectionist tariffs on local producers who are not competitive at the international level. (Havana Radio Havana Cuba in Spanish 0000 GMT 18 Jun 96)

On 3 July, new international air terminals will be inaugurated at two Holguin airports. As of 24 June, these terminals will be put to the test. Together, these terminals will have an operational capacity of 600 passengers during peak hours, which will enable them to provide services to over 2 million people a year. The works at each terminal have cost approximately 8 million pesos, 3 million of which were in foreign exchange. Depending on the amount of traffic, this investment is expected to pay off in approximately 2.5 years. (Havana Radio Rebelde Network in Spanish 1700 GMT 18 Jun 96)

Sancti Spiritus Province produces one quarter of the rice needed to meet the national demand. The Southern Jibaro Rice Mill has plans to harvest 45,000 metric tons this year, but the workers, aware of the national situation, have pledged to produce a total of 50,000 metric tons. (Havana Radio Rebelde Network in Spanish 1700 GMT 22 Jun 96)

Everything is set for the start of the coffee harvest in Santiago de Cuba in July. More than 400 peasants, including 236 women, have promised to pick 1,000 cans of coffee. If they make good on their promise they will exceed last year's production by nine fold. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 23 Jun 96)

The country has invested hundreds of millions of dollars in the development of the country's medical-pharmaceutical industry and biotechnology with the purpose of introducing the most advanced scientific achievements in the productive sector, contributing to the nation's progress, and bringing the country to the forefront in that field. Solid pharmaceutical products are in greatest demand internationally and, in fact, account

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for more than 30 percent of the medicines produced. To satisfy this increasing demand, the investment process includes the construction of new centers. Specialists from the Cuban medical-pharmaceutical industry and biotechnology are working in the development of new options for administering medicines such as microcapsules, soft gel capsules, and time-released medications, among others. "These achievements have been attained despite the criminal U.S. blockade, which in addition to preventing the entrance of medicines and technology in to Cuba, prevents our products and medical achievements from reaching other nations. The blockade denies other countries the possibility of preventing fatal diseases, as is the case with the type-b anti-meningococcic vaccine, which could save millions of children." (Havana Radio Reloj Network in Spanish 1930 GMT 23 Jun 96)

The Industrial Automation Center for rice production in Sur del Jibaro, Sancti Spiritus Province has exceeded 1,400 quintals per caballeria and is the best of its type in our country. Rice producers in Sancti Spiritus hope to complete the planting of 2,080 caballerias planned for this year, which is necessary to produce more than 3 million quintals of rice and break the province's record. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 24 Jun 96)

Cuban rum, Havana Club, can be purchased in 38 countries. The international distribution of the rum was exclusively granted to a joint French-Cuban firm called Havana Club Internacional. The export of the rum raked in $2 million in 1995. Rum exporters expect earnings to exceed $3 million this year. A total of 20 percent of Cuba's rum exports are sold in Europe, and Spain is the leading market. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 24 Jun 96)

According to a 24 June, Havana-datelined item, Cuban Deputy Tourism Minister Miguel Brugueras spoke during the 2d Congress of the Catalan Tourism Journalists Association in Havana. He said that 1996 has not only been a good year for the tourism sector, but also for the national economy. He said the country's GDP grew by 2.5 percent last year and a growth of 5 percent is expected for 1996. He added that tourism revenues accounted for 8.5 percent of Cuba's GDP in 1995. (Havana PRENSA LATINA in Spanish 1945 GMT 24 Jun 96)

According to a 24 June, Santiago de Cuba-datelined item, Cuban Foreign Trade Minister Ricardo Cabrisas today opened the 5th Expocaribe Fair in Santiago de Cuba with 120 firms from 32 countries participating. Cabrisas said Cuba hopes to increase ties with the region, which he described as a natural market for Cuba. Carlos Martinez Salsamendi, president of the Cuban Chamber of Commerce, told PRENSA LATINA that the fair has attracted 50 companies more than last year. (Havana PRENSA LATINA in Spanish 2306 GMT 24 Jun 96)

The development of the sugarcane harvest has not hurt the progress of the remaining economic and social programs in Las Tunas Province. Even though they have been hurt by the heavy rains, a total of 200,000 quintals more of tubers, vegetables, and grains have been harvested this year than a similar period last year. (Havana Radio Rebelde Network in Spanish 1700 GMT 25 Jun 96)

Dominican Republic

Dominican Republic: Poll Shows 51 Percent Fernandez Vote

PA2706145896 Madrid EFE in Spanish 1539 GMT 26 Jun 96

[By Alonso de Contreras]

[FBIS Translated Text] Santo Domingo, 26 Jun (EFE) — Dominicans prepare today for the much talked about end of a presidential campaign that has lasted almost three years amid a war of polls, statements about corruption, and accusations regarding the use of state resources.

Dominicans will choose on Sunday, in runoff elections, their president for the next four years. Reports of numerous electoral irregularities in 1994 compelled the official winner, the elderly President Joaquin Balaguer (89 years), to accept a constitutional reform to reduce his mandate by two years and forbid his reelection.

A Gallup poll published today, Wednesday, gives an advantage to Leonel Fernandez, candidate of the Dominican Liberation Party (PLD), over Jose Francisco Pena Gomez, of the Dominican Revolutionary Party (PRD), who came in first place during the first round on 16 May.

According to the poll published by the magazine RUMBO, Leonel Fernandez, who represents the National Patriotic Front supported by President Balaguer, has 51 percent of the citizens' projected vote while Pena Gomez is behind with 46 percent.

Prior to the first round on 16 May, Gallup published a poll which turned out to be quite accurate in its statistical predictions and that indicated Pena Gomez would win, but without the absolute majority he needed to avoid runoff elections.

Other polls by less prestigious companies, also published today and in recent days, show results that differ

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from Gallup's and some even predict Pena Gomez' final victory over Leonel Fernandez.

Amid this poll war, Pena Gomez announced last night that his party cannot afford a nationwide event to mark the end of the campaign.

Pena said: "We do not have the (State) Reserve Bank's resources, nor do we have the illegal commissions (...), or the (food) bags being distributed in the neighborhoods, or the Public Works and Armed Forces crews that are now building the platform from which Balaguer and Leonel Fernandez will address the nation (...).

Leonel Fernandez, who is preparing for a multitudinous rally on Thursday at the Dominican Republic's capital, has denied that he is using state resources for his electoral campaign.

He has also denied that his alliance with the ruling Social Christian Reformist Party entails a political mortgage on his promises to struggle against the corruption that, he says, has spread throughout the country.

"We will struggle against past, present, and future corruption," said Leonel Fernandez. President Balaguer, who did not vote for his own party's candidate in the first round, has urged all Dominicans to vote for Fernandez.

The statistics war is compounded by the campaign of insults between members of the two political groups.

The leaders of the personal disqualification campaign, the ultra- nationalists of the National Progressive Force which supports Leonel Fernandez, fire charges against Pena Gomez every day from the public television channel, accusing him of receiving drug money and protecting drug traffickers.

As the definite weekend approaches, the Dominicans' concern about the candidates' crowing increases, as well as the fear that, if the results of Sunday's elections are too close, neither of the candidates will easily accept defeat or hasten to congratulate his opponent.

Haiti

Haiti: Voting Procedures for Communal Section Assembly

96P20444A Port-au-Prince LIBETE in French 22-28 May 96 p 5

[By Yves Urfie]

[FBIS Translated Excerpt] The territorial assembly elections are going to take place. The Provisional Electoral Council (CEP) is studying a project which will explain the election procedures. We promise to let LIBETE's readers know what the CEP decides. In the meantime, here are some basic elements likely to be included in the CEP's proposals. This article will discuss the elections for the Assembly of the Communal Section (ASEK) and the City Delegates (DV). Later articles will view the Municipal and Departmental Assemblies.

1. The Assembly of the Communal Section and the City Delegates will be elected via direct vote, meaning the people themselves will vote. The CEP, Departmental Electoral Bureaus (BED), Communal Electoral Bureaus (BEC), and polling sites will run the elections.

2. Elections for the Municipal Assembly, Departmental Assembly, Departmental Council, and Interdepartmental Council will not be by direct vote. The CEP, BED's and BEC's will run the elections.

3. Who will elect the Municipal Assemblies? The ASEK will vote for its representatives. The DV's will represent the city in the Municipal Assembly.

4. The balloting will be secret, with no second round. The person with the most votes wins, and does not need more than 50 percent of the votes. [passage omitted]

5. Representatives are elected for a four-year term, until the second Monday in January 1999, and have the right to run again as many times as they like.

6. Both independents and active party members may run.

7. The number of ASEK's equals the number of CASC's (Administrative Council of the Communal Section), i.e., 563.

8. The number of DV's equals the number of towns or principal towns of a commune, i.e., 133. There are also 133 Municipal Assemblies.

9. There will be nine Departmental Assemblies, one for each department. The same is true for the departmental councils.

10. The Departmental Assemblies will vote for each member of the Departmental Councils and the nine Interdepartmental Council members: one representative for each department.

The ASEK and DV candidates will form a ticket. In other words, a group of candidates together will form a team that cannot be changed. Voters will have to choose the entire team. However, candidates on a team cannot come from the same neighborhood or landholding, in order to give each area a chance to defend its interests.

Democratic conditions will be set for the candidates:

—Candidates will pay only 5 gourdes to the tax collection office (DGI) to qualify. Unlike the large sums

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needed to run as deputy, senator, or president, money will not be a barrier in the ASEK and DV elections.

—ASEK and DV candidates must be at least 18 years of age. Contrast this with CASEC candidates (25), senators (30), and president (35).

—Candidates must show residency of two years, and must remain in their section or city throughout their term. [passage omitted] Exceptions will be made for candidates returning from exile.

—People barred from running: members of the KASEK, Communal Council, Police, Judiciary; delegates, vice-delegates, senators, and deputies; election officials. [passage omitted]

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Mexico: U.S. Said Obtaining Data on Firms Trading With Cuba

PA2606201696 Mexico City LA JORNADA in Spanish 24 Jun 96 p 50

[Article by David Aponte]

[FBIS Translated Text] Reports by the Secretariat of Foreign Relations (SRE) have pointed out that the U.S. Embassy in Mexico is collecting information on Mexican companies that do business with Havana and local organizations that grant humanitarian aid to Cuba as part of the preliminary actions under the Helms-Burton law.

The reports have warned that "diplomatic tensions could flare up" between Mexico and the United States if this information gets published.

Mexican companies with trade links to Cuba could be harmed by the dissemination of this information, especially if it is disclosed before any trade or investment deals are completed, the reports have added.

In documents that analyze the law also known as the Cuban Liberty and Democratic Solidarity Act, the Foreign Secretariat's legal consulting office has explained that in Section 108 under the law's Chapter 1, President Bill Clinton must give annual reports to the U.S. Congress on foreign governments and companies that trade with Havana, in addition to any humanitarian aid, loans, or trading in military equipment.

In that regard, U.S. diplomatic and consular representatives began collecting reports in foreign countries on trade deals with Cuba on 10 June, following the law's own time frame, that is, 90 days after the signing of the Helms-Burton bill into law by the executive branch, according to the reports. They have mentioned that "the United States will probably gather information through its foreign embassies and consulates. Diplomatic tensions between Washington and Mexico could flare up at any time if such information is released. In addition, Mexican companies that trade with Cuba could be harmed if information is leaked before their deals are closed."

Chapter 1 of the U.S. law also seeks to tighten the ban on imports of certain Cuban products into U.S. territory. "It mentions the fact that, according to the U.S. interpretation, the North American Free Trade Agreement (NAFTA) contains no provisions banning U.S. sanctions on Cuba".

The official reports have also explained that the same chapter urges Clinton to seek international support to tighten the economic and trade embargo on Havana and impose tougher sanctions on any violations of the embargo. They further state that Section 103 addresses a ban on what the U.S. Congress may perceive as any type of direct or indirect aid to the Cuban Government. In that regard, sub-subparagraph A under chapter 1 forbids U.S. citizens or alien residents from granting loans to finance deals that involve properties that were "confiscated" by the Havana regime.

The studies have stated that Sections 104 and 106 contain Washington's opposition to lifting Cuba's ouster from the OAS and condemn Russian loans to the island to finance intelligence operations in the Cuban town of Lourdes.

Mexico: Compensatory Tariffs Demanded for U.S. 'Dumping'

PA2706143196 Mexico City EL FINANCIERO in Spanish 25 Jun 96 p 28

[Report by Lourdes Edith Rudino]

[FBIS Translated Text] The Mexican Association of Bovine Cattle Fatteners [Asociacion Mexicana de Engordadores de Ganado Bovino — Ameg], has brandished a study that demonstrates how there is a price dumping [preceding word published in English] of U.S. beef between 1.6 to 50.9 percent (according to the product) and has demanded that the government immediately apply compensatory tariffs.

Ameg President Jesus Vizcarra Calderon has said that the request, which would entail tariffs averaging 20 percent on all U.S. beef products, would have to bypass any safeguard procedures or dumping lawsuits because these mechanisms take several months and "at the end there will be no producers left... We cannot wait."

Vizacarra Calderon has also denounced that most beef imports are from rejected cows and undervalued innards because they are not fit for U.S. consumption — with prices about 50 percent less than Mexican products — and that many of these imports are "old" products that have been frozen for a long time.

Asked about the responsibility of the Mexican sanitation authorities, he said: "We have plenty of laws and regulations in Mexico, but the truth is that these products are entering the country."

He has said that the dumping prices with which the U.S. meat enters Mexico, which is shown in the Ameg study that covers the period from January 1995 to March 1996, have rapidly displaced national producers.

Figures from the Central Customs Administration of the Finance and Public Credit Secretariat have shown that between February 1995 and March 1996 the importation of live animals rose 570.9 percent, when they went from

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1,675 to 11,254 heads of cattle. Meat imports have grown 370.7 percent, when they went from 1,801 to 8,467 tons.

Mexico: Accords, Jul Congressional Session Cited

96CA0219A Mexico City LA JORNADA in Spanish 20 Jun 96 p 1

[Report by David Aponte — received via Internet]

[FBIS Translated Text] The national leaders of the PRI [Institutional Revolutionary Party], PAN [National Action Party], PRD [Party of the Democratic Revolution], and PT [Labor Party] yesterday evening confirmed the agreements reached on the nation's electoral and political reform at the Bucareli negotiating session, and agreed that the Permanent Commission would convene a special session of Congress to start on 10 July.

During a meeting lasting a little more than two hours with Interior (Gobernacion) Secretary Emilio Chuayffet Chemor, the PAN was able to have the topic of the structure of the Chamber of Deputies and the Senate included as a "central" issue for the 1997 federal elections.

PT leader Alberto Anaya told the press that the leaders of the parties represented in Congress had approved the decisions, accords, and resolutions reached at the main negotiating session on political reform. These included the taking over of electoral machinery by citizens, voting by Mexicans abroad, and the concept of the referendum as some of the most important points.

"The proposal is expected to be completed this week and then the special session can be convened so that the draft constitutional reforms may be approved which will make the new electoral law possible. Of course, there are special interests, divergent points of view in the parties, and we are being besieged by the hardliners in various parties who are trying to destroy the accords that have been reached," he explained.

At the end of the meeting, which was also attended by the leaders of all the groups represented in the Chamber of Deputies and the Senate, PRI leader Santiago Onate Laborde declared the session a "success," saying that there was "an extremely cordial environment."

[LA JORNADA] Is the PRI taking a step backward in these agreements?

[Onate] No, sir! We certainly are not taking a step backward. We are standing extremely firm in the accords.

PRI Senator Fernando Ortez Arana seconded this view. "It was a very positive meeting." He did not say any more, and promised that a statement would be made to the press. In this statement the Interior (Gobernacion) Secretariat reported that the representatives of the political parties had reviewed the progress of the work on the Federal District electoral and political reform. "It was considered useful for the work being done in the multiparty commissions in Congress that all the points in the agenda relating to the reform should be analyzed and discussed and attempts made, to the extent possible, to reach a consensus so that these accords can be transformed into constitutional reforms."

"It was also considered useful to evaluate the progress of the work which the executive, the members of Cocopa [Commission for Harmony and Pacification], and the Indian Affairs Commission of both houses of Congress are doing jointly in order to determine when the constitutional reforms relating to Indigenous Rights and Participation will be presented," added the statement.

A few minutes later, before 2000 hours, the national president of the PRD, Porfirio Munoz Ledo, emerged from Chuayffet's office, accompanied by Senator Hector Sanchez Lopez and Deputy Jesus Ortega. He told reporters that the meeting enabled some times and methods to be determined for the electoral reform package. "We now believe we have time to improve the electoral reform, to work on the Federal District issue, and to begin to consider changes in the electoral organs. In a second round we could consider the organic law for Congress and perhaps the referendum issue. We want to have consistency with the accords reached with the federal government at the Bucareli talks," he said.

Porfirio Munoz Ledo said that the reform "is on track" and the important thing will be to respect the package in its entirety.

[LA JORNADA] Is there any danger that the accords reached here might fall apart later?

[Munoz Ledo] "There are always risks of storms, hurricanes, civil wars, and destruction, but for the reform it is clear that what has been agreed is agreed," he answered with irony. Then PAN leader Felipe Calderon Hinojosa reported that the PAN representatives had told the session of a number of omissions from the Bucareli accords, like the discussion related to the prohibition on the use of national colors in party emblems and the regulation of public programs that entail a large amount of resources, which may have an impact on the freedom of the voter, or which may be used to favor a particular political party.

Nevertheless, he said, the PAN legislators did make a major conciliatory effort. They even downplayed some of the PAN's misgivings. So there has been a

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"significant rapprochement" on the issues which were agreed upon, he added.

After the meeting, the party leaders agreed about the need to hold a special congressional session starting in July to deal with the constitutional reforms relating to the electoral issue and to the Federal District. The starting date might be 10 July.

[Report by Ismael Romero and Elena Gallegos]

Senators and deputies from the Institutional Revolutionary Party were called upon to put an end to the dispute about the electoral reform negotiations and to make the reconciliation public, Deputy Victor Samuel Palma Cesar said from the rostrum of the Permanent Commission. "Disagreements must give way to better agreements to sustain each point, each proposal, each modification in the consensus. Nothing will be imposed, there will be no pressures of any sort, no obstacles in the negotiations and discussions." He said that as a sign of legislative responsibility, they have put aside unilateral visions, and senators and deputies will work together.

In the Senate, where the Permanent Commission is meeting, Palma Cesar explained why the bicameral Legislative Drafting Commission was dissolved last Friday. It was to have been responsible for preparing the constitutional reform proposals on electoral issues. "This was a joint decision made by the members of the commissions of the Chamber of Deputies and the Senate, who took on the task of drafting the electoral reform proposals. It means that now the work will continue in conference commissions made up from the two chambers."

However, there was no such agreement, revealed sources from the two houses of Congress; instead, the decision was made directly by the leader of the PRI deputies, Humberto Roque Villanueva. The reason: at each bicameral meeting the PRI senators came with written proposals whose contents differed from the 16 accords reached by PRI, PRD, and PT members at the Interior Secretariat talks. These generated "a lot of noise" in the already difficult multiparty meetings.

In many cases these proposals "irritated" the PRD, added these sources, and in others they revealed a substantial divergence from the PRD and PAN points and even from those of some of the PRI members. In essence, this was a dispute among PRI senators and deputies reflecting the struggle within the party, in which powerful groups "are trying to sabotage the accords that have been signed."

In essence, the dispute was not confined only to deciding on the authorship of the reform, but it also put many interests on the table, which only led to a hardening of positions. This caused delays in the negotiations, and so it was decided to dissolve the bicameral commission, indicated these sources.

When this commission was created in the Senate the PRI deputies did not attend. This was attributed to an "oversight" on the part of Pindaro Uriostegui, who was later chairman of the Legislative Drafting Commission of the Chamber of Deputies. But that was only one of the many points of friction which soon became evident and which Roque Villanueva and Senator Ricardo Monreal had to acknowledge.

Yesterday, speaking from the rostrum of the Permanent Commission, after the Interior Secretariat had, on the preceding evening, called in PRI leaders Fernando Ortiz Arana and Humberto Roque Villanueva to talk with Emilio Chuayffet and with national PRI leader Santiago Onate, Deputy Palma Cesar emphasized that "good relations" prevail in the work of the two houses. This is somewhat like wiping the slate clean and getting off to a fresh start.

Palma said that it was the accord which caused the coordinators of the bicameral commission to transfer their drafting functions to the Chamber of Deputies' Commission on Internal Affairs and Constitutional Issues.

By doing so, added Palma Cesar, they are trying to move quickly and to give their full and timely attention to the task they have undertaken so that they can ask the Permanent Commission to convene a special congressional session.

He also reported that both senators and deputies will work jointly to clear up the parliamentary agenda and the electoral reform, and he made a statement which disturbed the PRD legislators: "The request for a special session is caused primarily by the intensity required by the work in proceeding with drafting constitutional proposals for designing the electoral reform."

After the PRI member's speech, PRD Deputy Juan Guerra told Palma that according to the legislative rules, the Permanent Commission can only convene a special session if a bill has been presented which provides cause for such a session, and he asked why in this case they were "bypassing" this rule by turning over to the Commission on Internal Affairs a proposal which has not been presented and is in the process of being drafted. Palma answered that the procedural rules for convening a special session will be complied with, and said that the work of the Internal Affairs Commission will enable the initiative to be prepared.

Guerra also asked Palma about the PRI's intentions regarding discussing pending issues like the representation

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of the two houses of Congress and the election of administrative division representatives in the Federal District, but the PRI deputy evaded that issue.

When asked by reporters to talk about problems between the two houses of Congress on the electoral reform, Senators Jose Luis Lamadrid and Salvador Rocha Diaz avoided committing themselves. Nearby, PAN Deputy Ricardo Garcia Cervantes showed that he has little optimism about an agreement on the points that have "obstructed" the reform: the structure of the electoral organization, financing, and the intervention of the Supreme Court in constitutional controversies arising from electoral conflicts.

Mexico: Special Session, Chiapas Forum Cited

96CA0219B Mexico City REFORMA in Spanish 20 Jun 96 p 1

[Report by Gerardo Roman and Miguel Perez — received via Internet]

[FBIS Translated Text] Despite their points of disagreement, the political parties met yesterday at the Interior (Gobernacion) Secretariat and agreed to convene a special session of Congress to complete the electoral reform.

Although no date was specified, the national leader of the PAN [National Action Party], Felipe Calderon Hinojosa, said that the tentative date for starting discussions in the special congressional session might be 10 July.

PT [Labor Party] leader Alberto Anaya explained that they had agreed that in this special session constitutional reforms would be dealt with, and in the regular session beginning in September, they would vote on legal reforms.

After an hour-long meeting with Interior (Gobernacion) Secretary Emilio Chuayffet, Santiago Onate, Felipe Calderon, Porfirio Munoz Ledo, and Alberto Anaya, the leaders of the PRI [Institutional Revolutionary Party], PAN, PRD [Party of the Democratic Revolution], and PT, respectively, agreed that the Bucareli accords were confirmed and that the pending issues will be discussed in the Chamber of Deputies.

"I feel that the electoral reform has practically been completed. What we have not finished is the Federal District Reform, and we have not even begun to deal with the reform of the Chambers," said Munoz Ledo.

He explained that the purpose of the meeting with the Interior Secretary was to "establish the times and methods for putting the package together."

PRI leader Santiago Onate, however, said that the electoral reform is still not ready, but progress is being made. He said that the special session could start toward the end of June or in early July.

Munoz Ledo indicated that his party had proposed that the special congressional session start during the second half of July, given that during the first two weeks of the month a forum to discuss reform will be held in Chiapas.

Finally, Felipe Calderon reported that at the meeting it was agreed that during the special session they will also discuss the structure of the electoral organs and the integration of the Chamber of Deputies and the Senate.

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Honduras

Honduras: Armed Forces Statistics

96P20443A San Jose LA NACION in Spanish 19 Jun 96 p 1

[Received via Internet]

[FBIS Translated Text] Tegucigalpa, 19 Jun (ACAN-EFE)—The director of the National Census Bureau (RPN), Luis Sandres, announced Tuesday [18 June] that the Honduran Armed Forces has reported, for the first time, a membership of 12,115. However, President Carlos Roberto Reina had emphatically said last Friday [14 June] that the Honduras military has some 18,000 soldiers. The military establishment sent the RPN a list of its members so they could be deleted from the National Electoral Census, which is being revised as a result of the upcoming general elections on 24 November 1997. Sandres said the list includes some 2,000 officers (among them 10 generals) and 10,115 enlisted men. The official called the issuing of the list of military personnel "historic" because it is the first time this has been done, and voluntarily on the part of the Armed Forces. The RNP director added: "For the first time, all military personnel, who are exempt by law from voting in Honduras, will be completely excluded from the Electoral Census. The Honduran Constitution prohibits military personnel from voting, and even though President Reina has said on other occasions that he agrees they should be allowed to vote, for now there is not an initiative to change or repeal that ruling.

Panama

Panama: Virzi Gives Deposition, Admits Knowing Castrillon

PA2806022496 Panama City Circuito RPC Television in Spanish 2300 GMT 27 Jun 96

[From the "RPC Television News" newscast]

[FBIS Translated Text] [Announcer Celiano Fonseca] The main protagonist of the financial scandal that has marred the 1994 election campaign of the PRD [Democratic Revolutionary Party], Felipe Virzi, today gave depositions before the attorney general. Alvaro Alvarado and Juan Burgos have the story:

[Alvarado] This morning, Second Vice President Virzi went to the Attorney General's Office to give depositions on the infiltration of drug-trafficking money into the 1994 election campaign. Upon leaving the Attorney General's Office, Virzi handed to the media copies of his sworn affidavits submitted to Attorney General Jose Antonio Sossa and Secretary (Jose Maria Castillo).

Virzi stated that he collected $770,000 during the 1994 campaign, adding that he only accepted contributions from known people or from those recommended by friends or fellow party members. He also stated that he knows Jose Castrillon Henao, who was introduced to him by Damaso Diaz in April 1994 at a luncheon held at a Via Argentina restaurant.

In addition, in late March 1994, Felix Estripeaut, the current Panamanian ambassador to Costa Rica, told Virzi that Castrillon was interested in making a contribution to his campaign. Virzi personally received a check for $21,000 from Estripeaut and later forwarded it to Ernesto Perez Balladares for him to endorse. He then proceeded to deposit it in a personal bank account opened for the political campaign.

Virzi also admitted to having received a check for $30,000 from Estripeaut and having forwarded it to Perez Balladares for him to endorse. This check was then deposited in Virzi's personal bank account. The vice president affirmed that he does not recall if he talked to Castrillon then, adding that when Castrillon was arrested, he did not exactly recall if it was the same individual he had met in April 1994. He pointed out: I thought it was an insignificant arrest; as soon as [Technical Judicial Police Director] Gabriel Castro informed me of the arrest, I approached the president and told him what was going on.

Earlier this morning, the media was only able to report the reaction of Castro, who accompanied Virzi to the Attorney General's Office.

[Begin Castro recording] I am revising all the checks, not only those written by Israel Murdock, but also those written by any other person who gave contributions to the PRD to determine if a fraudulent or illegal contribution was given. The two checks, on which there has been much talk and to which the president has made mention, are the only things I have been able to find out until this morning. There is absolutely nothing else in the PRD ledgers; I do not know if there could be something else in the other ledgers. [end recording]

Panama: Estripeaut Testifies at Attorney General's Office

PA2706140996 Panama City Telemetro Television Network in Spanish 1730 GMT 26 Jun 96

[From the "Telemetro Reports" newscast]

[FBIS Translated Text] Felix Estripeaut, Panamanian Ambassador to Costa Rica, went to the Attorney General's Office today to give a deposition. Vice President Felipe Virzi mentioned Estripeaut as the person who received the checks alleged drug trafficker Jose Castrillon

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Henao donated to the campaign of President Ernesto Perez Balladares.

[Begin recording] [Reporter Julia Elena Alvear] Good morning, Mr. Estripeaut. We want to get your comments about this case that prompted you to come to the Attorney General's Office.

[Estripeaut] I talked to the press this morning, which must publish my remarks tomorrow. There you will find...

[Alvear, interrupting] We are voice media. We want to know your views.

[Estripeaut] I understand, I understand [he repeats himself], but tomorrow you will know.

[Alvear] Did you receive the checks?

[Estripeaut] Yes, I did.

[Alvear] Who gave them to you?

[Estripeaut] Mr. Damaso Diaz gave them to the second vice president.

[Alvear] Why do you think he is now denying it?

[Estripeaut] I do not know. Pardon me.

[Alvear] Were you aware that Castrillon Henao was a drug trafficker?

[Estripeaut] We have told the truth and nothing but the truth.

[Alvear] Did he donate more checks, or just these two?

[Estripeaut] That is all.

[First unidentified reporter] Will you stay in your post?

[Estripeaut] For the time being, yes.

[Reporter] Did you know the company belonged to Castrillon Henao?

[Estripeaut] I had no knowledge.

[Second unidentified reporter] How do you describe your involvement in all of this?

[Estripeaut does not answer]

[Alvear] Were you unaware the money came from drug trafficking?

[Estripeaut does not answer] [end recording]

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Argentina

Argentina: Courts Probe Firm, Arms Sales to Ecuador Ties

PY2706005796 Buenos Aires CLARIN in Spanish 23 Jun 96 pp 2, 3

[Report by Daniel Santoro and Omar Lavieri]

[FBIS Translated Excerpt] The courts are investigating the links existing between two cases that have been receiving considerable attention recently: The scandal over the **illegal arms sales** to Croatia and Ecuador, and deals involving **gold exports** that prompted a **mafia attack** on the sister of the government attorney who is investigating this case.

Court sources have emphasized to CLARIN that a **transportation company**, named Express [preceding word in English] Cargas, represents a link between the two cases. Judges and government attorneys will thoroughly investigate this company, tracking "**its contacts with entrepreneurs and politicians**," the court sources said.

Express Cargas is allegedly involved in the two cases:

— In deals involving gold exports to the United States, allegedly committing fraud against the state to the tune of 18 million pesos. Government Attorney Pablo Lanusse charged the company involved in a large part of these deals (Casa Piana) with being the **customs broker**.

Concerning this case, the Express Cargas headquarters at 175 Florida Street were **raided** and Federal Judge Jorge Ballestero issued a **10-million peso attachment** against Express Cargas assets.

— In the case involving the illegal Argentine arms sales to Ecuador (in February 1995, while this country was at war with Peru) and to Croatia (violating a UN blockade). In this case, the Express Cargas headquarters were **raided**, following a petition filed by Government Attorney Carlos Stornelli and a court warrant issued by Federal Judge Jorge Urso. Express Cargas is being investigated for having been the Military Industries' **freight agent and customs broker** under former Government Trustee Luis Sarlenga, who has been indicted in this case. [passage omitted]

Bolivia

Bolivia: News Summary for 25 Jun

96CA0222A (Internet) Bolivian Social Communications Ministry WWW in Spanish 25 Jun 96 Morning Edition

[From the Computer Services Network of the Bolivian Social Communications Ministry http://utama.bolnet.bo:80/mcs/matind.htm]

[FBIS Translated Excerpt] [passage omitted]

Political News

Bolivia to Sign Preliminary Mercosur Accord

Buenos Aires. Today Bolivia will sign a general agreement to join a free trade region and within 90 days, under the Brazilian leadership of the bloc, it will sign the definitive agreement with the four member countries of the South American market, reported Argentina's secretary of international economic relations, Jorge Campbell.

Campbell explained that the final agreement with La Paz will not be signed at the Mercosur Presidents' Summit now being held in San Luis, because a series of technical meetings still need to be held in order to work out such matters as lists of tariff exemptions and of sensitive products. [passage omitted]

Yungas Should Not Become "Hot Spot"

The president of the Antinarcotics Commission, Sergio Medinacelli, has said that the Yungas of La Paz should not become a "hot spot" like the Chapare area, because this is not a drug trafficking region, nor have activities with chemical precursors or soaking ponds been observed there.

He said that to control the area, closer monitoring of the "routes going toward the seat of government and of access routes to the north of La Paz should be sufficient." [passage omitted]

Economic News [passage omitted]

Banking Corruption Complicity Reported

During Luis del Rio's administration, the Office of the Superintendent of Banks acted in complicity with the irregularities perpetrated in the Big-Beni, Bibsa, Sur, and Cochabamba Banks. It applied an illegal policy of postponements which allowed the failed banks to appear to be in sound financial health, it turned a blind eye when inspecting the banks' books, and it lacked sufficient authority to force them to comply with the

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improvement plans to which they had agreed. [passage omitted]

Bolivia: News Summary for 26 Jun

96CA0223A (Internet) Bolivian Social Communications Ministry WWW in Spanish 26 Jun 96 Morning Edition

[From the Computer Services Network of the Bolivian Social Communications Ministry http://utama.bolnet.bo:80/mcs/matind.htm]

[FBIS Translated Excerpt] [passage omitted]

Front Page News Briefs [passage omitted]

Mercosur Deadlines Disturb Businessmen

President Gonzalo Sanchez de Lozada has signed an agreement to create a free trade region covering 80 percent of our trade within a period of 10 years, through a system of gradual tariff reductions. The private sector fears that this period may not be sufficient for it to respond to the challenge.

Bolivia Joins Mercosur

In October of this year, the final Mercosur agreement will be signed, which will take effect on 1 January 1997. President Gonzalo Sanchez de Lozada described this as "fair treatment for smaller countries until they can compete fully." The business community has reacted cautiously, and the opposition is criticizing the accord. [passage omitted]

Economic News

YPFB Privatization in July

The date for contract awards for the privatization of the two exploration and operation and transport units of YPFB [Bolivian Government Oil Deposits] has been definitely scheduled for 25 July, announced the national secretary for privatization, EJgar Saravia.

He said that by the coming weekend all of the final drafts of the contract and of the regulations will be sent to the companies interested in investing in YPFB's privatization.

Brazil

Brazil: Nation To Fight Laundering With Argentina

PY2606193696 Rio de Janeiro Rede Globo Television in Portuguese 1030 GMT 26 Jun 96

[Report by Carlos Monforte in Brasilia]

[FBIS Translated Excerpt] [Passage omitted] During the Mercosur [Common Market of the South] summit in San Luis, Argentina, the Brazilian and Argentine Governments yesterday signed an agreement to lift the fiscal secrecy rule in cases involving tax crimes in both countries.

The agreement was signed by representatives of the Brazilian Federal Revenue Secretariat and the Argentine Tax Office. The agreement also provides for joint actions to fight smuggling and money laundering. [passage omitted]

Brazil: 'Hard Stance' Announced on Auto Talks for WTO

PY2706120696 Sao Paulo GAZETA MERCANTIL in Portuguese 21 Jun 96 p A4

[By Cristina Aby-Azar]

[FBIS Translated Text] Brazil will adopt a hard stance in the negotiations with its partners of the World Trade Organization (WTO) to maintain, without modifications, the Provisional Measure that created the automobile regime.

In addition to reflecting the more aggressive negotiating style of newly designated Industry and Commerce Minister Francisco Dornelles, the strategy is based on a simple element: time. If Japan makes good on its threat to file a formal complaint against Brazil at the WTO, on the grounds that the automobile regime is discriminatory, an eventual solution for the case will not be reached in less than two years. This is practically the period of validity of the law, which will remain in force only until 1999.

Arm wrestling of that type is slow; it is fought at many levels. Upon conclusion of the first round of talks with Japan, the Brazilian Government will go to Brussels to talk with European Union representatives and to Geneva, the WTO headquarters. Brazil will then start meetings with the ROK, which also opposes the automobile regime, and will finally engage in another "round" with the Japanese. After the matter is raised at the WTO, it must be evaluated by a panel (arbitration committee), in which all interested partners can participate.

In Europe, Germany has most strongly opposed the Brazilian automobile regime. The opposition specifically comes from BMW, a producer of luxury cars that dominated the Brazilian market after its opening at the beginning of this decade. The United States adopted a position in favor of Brazil until the death of U.S. Secretary of Commerce Ron Brown in a plane crash in Bosnia. His successor, Mickey Kantor, is known to be a staunch advocate of international rules of commerce.

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He reversed the U.S. position in May. The new decision was also caused by the strong pressure against the Brazilian regime from Chrysler, the third largest U.S. producer of automobiles, which is building a factory in Argentina. Incidentally, the enterprise's decision to choose Argentina was a consequence of Brazil's delay in defining the rules for the sector.

"The efficacy of a formal Japanese complaint would be practically nonexistent, because any definition will take too long," Volkswagen Vice President Miguel Jorge said. Jorge, who closely followed the process of the creation of the regime, said that the government will make no concessions on any of the topics of the law. "If it agrees to discuss one topic, the government will have to discuss the regime as a whole," he added. A Japanese delegation returned home without having even listened to the Brazilian negotiators making a proposal on quotas.

The matter is complex and not all its details emerge immediately. The request for a waiver, which Brazil withdrew last month, was actually filed with the WTO for the first time in January. The government received WTO signals that the answer would be negative, and it then chose to withdraw the request and begin bilateral negotiations. From the viewpoint of the WTO, there are 11 "irregular" automobile regimes, among them those of Thailand, India, China, and Malaysia. If Brazil is "pardoned," an avalanche of similar requests will be sent to the diplomats in Geneva.

Brazilian negotiators have another point in their favor. The Japanese and ROK markets are considerably closed to the importation of cars, thus reducing the bargaining power of those two countries. The ROK, for example, charges car imports with only an 8 percent tariff, yet it has technical barriers that make sales practically infeasible. Each foreign car, before crossing the border, is examined on 38 points ranging from pollution, noise, and movement control to durability.

Despite the discussion over the legitimacy of the Brazilian regime — one of the most strongly resisted points of the regime is the 70 percent tariff on cars imported by enterprises without branches in the country — its effects were immediate. A true avalanche of adds on investments in the country appeared in newspapers. Elizabeth de Carvalhaes, the Volkswagen official responsible for government affairs, has estimated that investment — only by car producers — has already reached $17 billion for the 1996-99 period. During the same period, investment in Argentina will total $4.3 billion.

Another indication that the law has effectively served to boost the sector is the number of enterprises — car assemblers and producers — that registered to operate under the new regime. The Ministry of Industry and Commerce has already given the green light to 81 projects, while at least 10 others are now being evaluated.

Elizabeth de Carvalhaes noted that, in addition to the need to improve the Brazilian balance of payments, the automobile regime became necessary because of the excessive level of imports, which threatened to replace domestic production. In 1994, Brazil imported 65,000 assembled vehicles. Between January and May 1995, before the government increased the tariff, four large car assemblers — Volkswagen, General Motors, Fiat, and Ford — imported 400,000 cars.

Brazil: 'Institutional' Support for Wasmosy Conveyed

PY2706143496 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 27 Jun 96

[Report by Lourival Batista in Asuncion, Paraguay]

[FBIS Translated Text] Contradicting Paraguayan press reports, President Fernando Henrique Cardoso yesterday stated that his visit to Asuncion was not intended to convey his personal support for Paraguayan President Juan Carlos Wasmosy. Cardoso made it clear that he had come to convey his support for the Paraguayan institutions; that is, for the Paraguayan democracy, in keeping with Brazil's commitment as a Mercosur [Common Market of the South] member country.

[Begin Cardoso recording] It is institutional, not personal. During this visit I have been decorated by President Wasmosy and, through him, by the Paraguayan people. I have come here to reaffirm Brazil's institutional commitment as a Mercosur member country. Furthermore, I see no need for a specific expression of support for Wasmosy because he is fully discharging his duties. [end recording]

President Cardoso said that in April Paraguay experienced a landmark event in its democratic history because it entailed respect for the constitutional and legal system. He said that the decisive action taken by Wasmosy, and the show of resolve and patriotism displayed by the Paraguayan people have been instrumental in preserving the Paraguayan democracy.

[In a 400-word report datelined Asuncion by Aldo Renato Soares, Sao Paulo AGENCIA ESTADO in Portuguese at 0000 GMT 27 June adds: "Concerned about the political use Wasmosy was making of President Cardoso's visit to Paraguay, which ended today, Brazilian Foreign Ministry sources pointed out that Cardoso's remarks were 'in favor of democracy, not of the Paraguayan administration.'"]

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Brazil: Assembly Passes Sao Paulo Privatization Program

PY2706214396 Sao Paulo AGENCIA ESTADO in Portuguese 0003 GMT 27 Jun 96

[FBIS Translated Excerpt] Sao Paulo, 26 Jun (AE) — At 0500 this morning, the administration of Sao Paulo State Governor Mario Covas obtained its most significant political victory at the Sao Paulo Legislative Assembly with the approval of its controversial bill 71/96, which envisages the creation of the Sao Paulo State Privatization Program and authorizes the Sao Paulo administration to privatize all the Sao Paulo state-owned power companies (Eletropaulo [Sao Paulo Power, Inc.], Cesp [Sao Paulo Power Company, Inc.], and CPFL [Sao Paulo Power and Light Company]) and Comgas [Municipal Gas Company]. The bill was approved by 44 votes to 32, with eight abstentions. Nine deputies were absent. Following the approval of the basic proposal the assembly began to vote on an agenda containing 21 packages of amendments.

The privatization proposal totals 20 billion reals (the net worth of the above state-owned companies). Members of the PSDB [Brazilian Social Democracy Party] bloc paid a high price to ensure the passage of the bill. Acting on instructions from Governor Covas and Energy Secretary David Zylbersztajn, the PSDB deputies engaged in an eroding head-to-head confrontation with opposition deputies and with power workers, who opposed the privatization proposal. When the deputies resumed their debates on the evening of 25 June, 400 power workers affiliated to the CUT [Sole Workers Center] and CGT [Central Federation of Workers] invaded the galleries waving placards and signs, and blowing whistles.

Ricardo Tripoli (PSDB), president of the Legislative Assembly, tried to preside over the process "in a democratic way." He valiantly withstood attacks and outcries from PT [Workers Party] deputies. Last week, Tripoli put on hold a charge raised by Erasmo Dias, leader of the PPB [Brazilian Progressive Party], about alleged corruption involving deputies and entrepreneurs interested in the privatization. Tripoli knew had he not shelved temporarily the charge by referring it to the Ethics Committee, its fallout would have ultimately prevented the voting on the privatization bill.

Deputies of the PMDB [Brazilian Democratic Movement Party], PTB [Brazilian Labor Party], and PFL [Liberal Front Party] joined the 25 members of the PSDB bloc to approve the bill by 44-32 vote. Yet, in return, the PSDB bloc had to make concessions in other major proposals that are now under way, such as the new budget guidelines law. [passage omitted]

Brazil: Government Accelerates Fund Transfers to Counties

PY2706213996 Sao Paulo AGENCIA ESTADO in Portuguese 2201 GMT 26 Jun 96

[Report by Mara Bergamaschi]

[FBIS Translated Excerpt] Brasilia, 26 Jun (AE) — As the deadline for the transfer of federal funds before the elections approaches, the federal government has speeded up transfers to municipal governments. Today the executive branch announced the transfer of nonreimbursable funds worth 279 million reals [R] to 800 municipal governments. The funds, from the General Budget of the Union, will be released by the Federal Savings Bank (CEF) for housing, infrastructure, and sanitation projects. The National Educational Development Fund (FNDE) this week released R250 million.

The main beneficiaries of the funds, which will be transferred on 28 June, were Sao Paulo, with R28.7 million; Minas Gerais, R23.9 million; and Bahia, R25.5 million. The first two are governed by members of the PSDB [Brazilian Social Democracy Party] — President Fernando Henrique Cardoso's party — while the third is a stronghold of leaders of the PFL [Liberal Front Party], the government's main ally in Congress. Planning Minister Antonio Kandir made the final selection of the municipal governments. [passage omitted] [Sao Paulo AGENCIA ESTADO in Portuguese at 2302 GMT on 26 June adds: "Planning Minister Antonio Kandir, who assumed with applause from the PSDB, in less than one month has become a target for harassment over the budget cut that affects lawmakers' proposals. The Planning Ministry has cut by 50 percent the funds for all new investment proposals. Consequently, requests for funds for ongoing projects promoted by opposition lawmakers did not suffer any cuts. This has caused annoyance between PSDB bloc members and governors."]

Brazil: Bank of Brazil, Petrobras Privatization Viewed

PY2706210196 Rio de Janeiro Rede Globo Television in Portuguese 1030 GMT 26 Jun 96

[Interview with Central Bank Foreign Department Director Gustavo Franco by Carlos Monforte in Brasilia and Renato Machado in Rio de Janeiro — live]

[FBIS Translated Text] [Machado] We are interviewing Central Bank Foreign Department Director Gustavo Franco who issued a challenge this week: He defended the privatization of two giants; the Bank of Brazil and Petrobras [Brazilian Petroleum Corporation]. Franco is in our studio in Brasilia with Carlos Monforte.

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[Monforte] For us non-experts, after two years with the real, we see the situation has really stabilized. What has changed?

[Franco] Everything has changed. Not just inflation — which was part of the everyday life of the people — has disappeared, which had an extraordinary impact especially on the lowest income classes, but the opening of the economy changed business perspectives for nearly all Brazilian companies. This means competition from imported products and their quality and technological challenge are motivating national companies to position themselves in a totally different manner both from the point of view of their productive process and from the point of view of their relation with consumers.

[Monforte] Will the result be so big that the economy could change to the point that everything will be denationalized?

[Franco] No, I would not say so. Of course foreign participation tends to increase based on the strategic associations between large Brazilian companies and foreign ones. This not only allows foreigners to supply the national market and transfer technology to Brazil, but it gives Brazilian companies access to foreign markets and to new conditions that they would otherwise have not obtained, allowing them to export their products.

[Monforte] Why do you predict that the Bank of Brazil and Petrobras may be privatized sooner or later?

[Franco] It was not a prediction. It was a comment I consider was somewhat exaggerated in the newspaper headline. Regarding the Bank of Brazil, I said that following its capitalization, and its losses became known, something that seemed unthinkable before — the privatization of the Bank of Brazil or other mechanisms to allow minority shareholders to participate in the administration of the bank — has all changed.

I believe those Bank of Brazil shareholders who are dissatisfied with the results of its administration by the government now consider the possibility that a private administration could be positive. It could be a public administration but not a government administration. Only the future will tell when such step will be taken. It will be a government matter, a political matter, about which I cannot express my opinion.

[Machado] The economic model has changed, Brazilian companies have associated with foreign ones, capital investments have been made, but we also have unemployment. Does the economic model consider unemployment and the distribution of income?

[Franco] Not necessarily. As a result of the economic opening there has been a very big change in the distribution of employment among the different sectors and regions. Industries are migrating from one region to another. Simultaneously, since there is increased demand for the so-called popular products, the dynamics of the different industrial sectors have also changed. Some industries are generating new jobs while others are eliminating them.

As workers migrate from one job to the other, they are included in unemployment statistics, which creates the sensation of high unemployment. There are many transfers and industries are moving to different places. This is important.

When a foreign industry is harmed by foreign competition and attempts to react, it opens a factory in Asia to take advantage of the cheaper labor costs. Here in Brazil a curious fact takes place: Industries move to other regions where labor is cheaper, especially in northeastern Brazil. Industries like the shoe factories were predominantly in southern Brazil and Sao Paulo State. They are now opening in northeastern Brazil. It is just a matter of (observing well): If you look into the south, to Franca [large shoe industry town] in Sao Paulo, you get the impression of unemployment, but if you look to northeastern Brazil where new factories are opening, you feel just the opposite.

[Monforte] Thank you.

Brazil: Export Credit Insurance System To Be Implemented

PY2706120096 Sao Paulo GAZETA MERCANTIL in Portuguese 21 Jun 96 p A4

[By Liliana Enriqueta Lavoratti]

[FBIS Translated Text] The government is willing to cancel the reduction of import financing periods for textile imports from Mercosur [Common Market of the South] countries, provided those countries agree to deal with some disputes with Brazil. This decision was made on 20 June by the Foreign Trade Chamber, which is subordinated to the Civilian Household of the Presidency. In May, the above import financing periods were reduced from 180 to 30 days.

One of the Brazilian Government demands of Uruguay, Argentina, and Paraguay is the expansion of the list of exceptions to the Common External Tariff (CET). The negotiations are being held within Mercosur's Common Market Group, which met on 20 and 21 June in Buenos Aires. Among the sectors that might benefit from the list of exceptions are packaging materials and textiles.

The list of exceptions, which today has 260 items, might grow to 300 products. The Brazilian Government's idea

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is to use this instrument to protect the sectors that are exposed to unfair competition without resorting to import quotas, a measure that does not please the World Trade Organization. The products included on the list of exceptions may be burdened with higher import tariffs.

The Foreign Trade Chamber announced, on 24 June, supplemental measures to support foreign trade. It was decided that the National Treasury will finance up to 85 percent of exporters' losses caused by extraordinary political risks, like earthquakes, exchange rate crises with restrictions on foreign remittances, and territorial conflicts. The funds that will compensate for exporters' losses as of January 1997 will be allocated in the federal government's general budget for 1997.

Extraordinary political risks are included in the export credit insurance system, which the government will soon create through a decree that will regulate Law No. 6704, approved in 1979. This law states that the credit insurance system must be implemented by a specific private enterprise, but this was never done. The enterprise, which will now be created, will issue the commercial risk insurance policies for exports.

Alvares [not further identified] said the government is defining a limit for accumulated responsibility, that is, a ceiling for Treasury payments for risk compensation in one year. The project became more feasible after the easing of the reinsurance market monopoly, which Congress approved on 19 June. The new enterprise may make the reinsurance with the IRB (Brazilian Reinsurance Institute) or with the new enterprises of the sector that will be created as of now.

The credit insurance system will start operating in January 1997, because there are still some pending issues. The main issue is the participation of the Banco do Brasil in the enterprise's capital, the majority of which will be owned by the private sector, including an international reinsurance company interested in the project, Alvares said.

Capital good producers are most strongly interested in the creation of the export credit insurance. The government hopes that the measure will increase the possibility of selling Brazilian products abroad, and will also promote the expansion of payment terms. The credit insurance will not necessarily be linked to the financing of exports, but will always presuppose that exports will be paid in installments.

The government will also submit to Congress a proposal for a single foreign commerce law in December 1996. The Chamber of Foreign Trade is receiving suggestions from the private sector, and will draft a bill between September and November. The objective is to gather in one single law the current set of 137 norms, ranging from decree-laws to Federal Revenue Secretariat resolutions.

Brazil: Cardoso Pleased With Approval on Voting Mechanism

PY2706022096 Sao Paulo AGENCIA ESTADO in Portuguese 0100 GMT 27 Jun 96

[By Isabel Braga]

[FBIS Translated Text] Brasilia, 26 Jun (AE) — President Fernando Henrique Cardoso arrived at the Brasilia Air Base from Asuncion, Paraguay at 2055. The president was very happy with the victory of government parties in the Chamber of Deputies, who approved — by 258 votes to 141 — a draft bill reducing the possibility of using the Separate Voting Mechanism (DVS). "The president was very pleased," said Education Minister Paulo Renato, who went to the Air Base with Vice President Marco Maciel to welcome the president. According to the minister, the president learned about the victory before boarding the plane in Asuncion.

Before heading for Alvorada Palace in a Brazilian Air Force (FAB) helicopter, Cardoso talked with Maciel and Paulo Renato for some 10 minutes. The president left the plane in the company of Foreign Minister Luiz Felipe Lampreia and presidential spokesman Sergio Amaral.

In a brief conversation with the journalists, Maciel confirmed that the president is scheduled to meet government party leaders in the Senate at 1030 on 27 June, when they will address the debate on the constitutional reforms. The meeting was to have been held at Alvorada Palace, but this evening Maciel said it would be held at Planalto Palace. Maciel added that President Cardoso will meet with Senate President Jose Sarney (PMDB-AP) [Brazilian Democratic Movement Party-Amapa] sometime tomorrow morning.

Brazil: Voters Polled on Elections in Rio de Janeiro

PY2706011396 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 26 Jun 96

[FBIS Translated Text] The results of the first IBOPE [Brazilian Public Opinion and Statistics Institute]-Rede Globo poll on the elections for mayor in Rio de Janeiro have been released.

If the elections were held today, PSDB [Brazilian Social Democracy Party] candidate Sergio Cabral would have 20 percent of the votes; PDT [Democratic Labor Party] candidate Miro Teixeira, 16 percent; PMDB [Brazilian Democratic Movement Party] candidate Albano Reis, 15 percent; PSB [Brazilian Socialist Party] candidate General Newton Cruz, 7 percent; PT [Workers Party]

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candidate Chico Alencar, 5 percent; PFL [Liberal Front Party] candidate Luiz Paulo Conde, 4 percent; and PPS [Popular Socialist Party] candidate Sergio Arouca, 2 percent. Blank and null votes and undecided voters amounted to 31 percent. PTdoB [as heard; expansion unknown] candidate Antonio Bedregal received no votes.

For this poll, 600 persons were polled between 20 and 23 June.

Brazil: Treasury Issues R7.8 Billion in Bonds for BB

96SM0402A Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Jun 96

[Unattributed article: "National Treasury Issues Total of R7.8 Billion in Bonds" — received via Internet]

[FBIS Translated Text] Brasilia—The money injected by the government into the Bank of Brazil [BB] and into financial aid for the private banks in May caused the biggest jump in the government's own bond debt since the Real Plan began. Growing by 13.3 billion reals, the bond debt jumped from 138 billion to 151.3 billion reals—an increase of 9.6 percent. Those figures were announced by the Central Bank [BC] yesterday.

To put funds into the BB, the National Treasury issued a total of $7.8 billion reals worth of bonds. At the same time, however, another 1.4 billion reals worth were redeemed, resulting in a net issue of 6.4 billion reals worth just to rescue the bank. Those bonds were completely absorbed by the BB, which will sell them on the market to generate cash for itself.

Another 4 billion reals worth of securities were sold on the market by the BC to offset the impact caused mainly by providing the banks with financial help (3.6 billion reals for the month). Of that amount, 2.5 billion reals represented funds from the Program to Encourage the Restructuring and Strengthening of the Financial System (Proer), and 1.1 billion reals was in the form of daily loans to banks that could not balance their books at the end of the day.

Since July 1994, when it lent 2.7 billion reals, the BC had never spent so much money in one month to help the banks. In April, for example, its financial assistance totaled 913 million reals. In the case of Proer's money, the total disbursed in May came to 6.1 billion reals—another record. That is the largest amount disbursed in any month since the program was created in November of last year.

Part of that money (3.6 billion reals) was used to pay debts for financial assistance which the banks helped by Proer owed to the Central Bank. "That money was never issued. It simply paid off financial liquidity assistance," noted Altamir Lopes, head of the BC's Economic Department (Depec). Of the total funds lent within Proer, 1.7 billion reals was intended for the Federal Savings Bank, which absorbed Banco Economico's real estate loan portfolio, and for the Bandeirantes and Rural Banks.

Last month those two institutions bought Banorte [expansion not given] and the Mercantile Bank of Pernambuco. The government chose to increase its debt (by selling bonds) so that all the money it placed in the banks would not end up circulating in the economy. That increases its debt service bill. Selling the bonds brought in 10.2 billion reals, but even that was not enough to soak up all the money it had lent the banks.

The result was an expansion of 0.9 percent, corresponding to 1.2 billion reals, in the monetary base (money in circulation in the economy), something that had not occurred since February. In the case of both the debt and the monetary base, the inflow of foreign funds was again a source of pressure in May. But its impact was much less than that of the BB's capitalization and the aid to the banks. According to the BC, operations in the external sector had an impact of 2.1 billion reals, while the net flow of funds into the country totaled 3.6 billion reals.

Following a slight improvement in March, when the private firms paid their income tax, the public sector's accounts worsened again in April. According to figures released yesterday by the Central Bank, the nominal deficit (taking interest rates and inflation into account) for that month was 13.8 billion reals, meaning that there was an increase of 68.24 percent over March, when the public sector's expenditures exceeded its revenues by 8.2 billion reals.

The poorer performance in April was due to the states and municipalities, which accounted for over half of the deficit, since they closed their books with a negative balance of 7.6 billion reals. The Federal Government's accounts (including the Central Bank) showed a deficit of 5.5 billion reals. The government-owned firms jumped from a negative balance of 11 million reals in March to 726 million reals in April.

But when the public sector's books for May are closed, the Federal Government may again show the poorest performance in the public sector. The reason is its capitalization of the Bank of Brazil, which totaled 7.8 billion reals, those funds having been taken exclusively from the market. As explained by Altamir Lopes, head of the BC's Economic Department (Depec), the poorer performance in the specific case of the Federal Government occurred because after corporation incomes

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taxes were collected in March, there was an increase in compulsory transfers to the state and municipal participation funds.

According to him, personnel expenditures also had an impact on the deficit. If we look at the public sector's accounts in primary terms—that is, excluding debt service and the debt increase due to inflation—there was a small surplus of 1.4 billion reals in April. In other words, it was less than half the favorable balance of 3.5 billion reals recorded in March.

From the operating standpoint, which takes real interest rates into account, the deficit in the public sector jumped from 4.7 billion to 8.2 billion reals. Although there was an increase in the public sector debt and, consequently, in the deficit, the head of Depec points out that there was a reduction in the amount of interest owed by the government. The figure in March totaled 4.98 percent of GDP [gross domestic product] and 4.28 percent in April.

This means that by issuing bonds in April, the government persuaded the market to lend it money at lower interest rates.

Brazil: Investors, Economists Disagree on Risk Factor

96SM0402B Sao Paulo GAZETA MERCANTIL in Portuguese 19 Jun 96 pp A1, A7

[Article by Mara Luquet and Fernando Dantas: "Distortion of Brazil Risk Increases Costs"]

[FBIS Translated Text] Rio de Janeiro and Sao Paulo—Unlike foreign portfolio investors, who look for investments with quick returns, investors in the productive sector are not prone to let themselves be influenced by what the international credit rating agencies say. Those agencies exclude Brazil from the list of "investment grade" countries, thus giving it a failing grade in comportment and making financing more expensive for our country .

But that is not keeping the multinationals, which are encountering more and more difficulty in increasing their market shares in the developed countries, from unloading a good portion of their investment funds in Brazil. Those firms have their eye on the potential of the consumer market. "The chocolate market in Brazil is growing by 28 percent per year. The Brazil risk is irrelevant," says Gilberto Galan, director of Phillip Morris in Brazil, which has just acquired control of Lacta.

Brazil is currently the leader among emerging economies when it comes to attracting direct investments. "There is a gap between the risk as perceived by the investor and the country's real risk," says economist Octavio de Barros, director of the Brazilian Society for Studies of Transnational Companies (Soobet). "Brazil pays a risk premium that is unreal," he adds.

Economist Lauro Faria of the Getulio Vargas Foundation does not agree. In his opinion, the country "is entering a zone of turbulence." In the case of direct investments as a percentage of total capital flow, Brazil (with direct investments in 1996 being estimated at $6 billion) is doing surprisingly badly (16 percent in 1990-1996 and 15 percent in 1995-1996). The average for countries with foreign debt problems was 32 percent in 1990-1996 and 36 percent in 1995-1996.

Brazil Risk Varies Depending on Investor's Profile

Rio de Janeiro—The Brazilian Government's lack of skill in promoting its own image is doing considerable damage to the cash positions of Brazilian firms. Perception of the "Brazil risk" among portfolio investors, who buy Brazilian securities with a fixed or variable yield, is extremely pessimistic, a fact that makes it more expensive for those firms to borrow money abroad. But the perception among investors in the so-called productive sector (direct investment) is different. Our country leads the emerging countries when it comes to attracting direct investments.

"There is a gap between the risk as perceived by the investor and the country's real risk," says economist Octavio de Barros, director of the Brazilian Society for Studies of Transnational Companies (Soobet) and currently one of the most important researchers studying the flow of international capital. "Brazil pays a risk premium that is unreal," he adds. In his opinion, the government needs to be more incisive in showing the international community that there will be no surprises in the conduct of our economic policy.

Multinational firms seem less uncertain about sudden changes in Brazilian economic policy, and they already feel comfortable gambling on the potential of the domestic consumer market. Proof of that is the 241-percent increase in direct investments in our country during the first five months of the year. The government expects investments in the productive sector by foreigners to total $9 billion in 1996, compared to $3.3 billion in 1995. In the period from 1992 to 1994, Brazil was, along with Canada, the largest recipient of industrial investments from the United States.

Brazil has accumulated a volume of direct investments totaling $13.681 billion in the industrial sector from U.S. sources alone, according to data from the U.S. Department of Commerce. That figure is nearly 30 percent higher than the amount being invested by the

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United States in Mexico, for example (data as of the end of 1994). In the case of investments originating in Germany, the difference is even greater: 130 percent. The Germans have accumulated an investment volume totaling 11.434 billion Deutsche mark ($7.48 billion), whereas the figure in Mexico falls to 4.888 billion Deutsche mark ($3.199 billion) (data as of the end of 1995).

Mexico is the second-ranking country when it comes to volume of U.S. investments, and it ranks third in the area of German and also French investments. In all three cases, Brazil leads as the main destination for those investors (again, in terms of direct investments only). Brazil is also ahead of Mexico when it comes to direct investments of British origin. In that case, our country has a volume of 1.935 billion pounds ($2.975 billion) and ranks as the third most important destination of British investments, behind Hong Kong and Singapore (the leader). In that same ranking, Mexico appears in eighth position with a volume of 437 million pounds ($671.88 million).

Financial investors do not feel the same way. Brazil still pays a bigger premium than Argentina and Mexico on its international issues. Yesterday, five-year securities with sovereign risk (government risk) issued by Mexico were paying 331 base points more than U.S. Government securities. Argentine securities of the same nature were paying 391 base points, and Brazilian securities were paying 448 base points (securities issued by the Bank of Northeast Brazil).

"We have a very large consumer market, and it is necessary to position ourselves early," says banker Alcides Amaral, vice president of Citibank in Brazil. "The short-term investor wants more immediate results," he adds. The productive sector, however, always takes the long-term view. The big question in our country today, in Amaral's estimation, is the reorganization of the public sector. That is something which all investors are watching. Amaral says that portfolio investors always pay close attention to the rating (risk assessment) agencies. "The portfolio investor watches cash flow; productive investments stay attuned to other things," says Igor Cornelsen, an international investment consultant and director of the Liberal Institute.

Brazil is not on the select list of "investment grade" (approved risk) countries published by international rating agencies. "That is unfair," says Octavio de Barros. Calisto Tanzi, world president of Parmalat, seems to agree. According to Alvaro Novaes, Parmalat's marketing director, Tanzi likes to say that China today is the Brazil of 1990 as far as Parmalat is concerned. But while Brazil is ahead of China in the eyes of the owners of productive capital, the rating agencies consider that a mistake. China is rated "investment grade" by both Standard & Poor's and Moody's, two of the largest international rating agencies.

A big push to make Brazil improve its credit rating could be made by President Fernando Henrique Cardoso himself. He could make clear the country's determination to qualify for "investment grade" status before this administration's term of office ends. It is also important in that connection to discard for good the ghost of exchange devaluation.

Gilberto Galan, director of Phillip Morris in Brazil, says that firms cannot waste opportunities for investment. "Our biggest investment this year was in Lacta, which provided an opportunity to expand our investments in the chocolate market," says Galan. The Brazilian chocolate market has been growing at an annual rate of 28 percent for the past three years. "In view of that scenario, the Brazil risk is irrelevant," Galan says. For investors in the productive sector, the level of international reserves is less important than the degree of state intervention in the economy in the form of price controls, for example. He says: "The 1980's were terrible in that respect."

In the view of firms which, like Phillip Morris, have started investing in our country again, or of the new firms beginning to arrive in our country, Brazil is one of the countries where major growth is still possible. That by itself is a good sign encouraging them to unleash their investments.

'Country Headed for Turbulence'

Sao Paulo—After making an exhaustive comparison between Brazil and five groups of developing or emerging countries on the basis of a dozen or so indicators of short-, medium-, and long-term risk, economist Lauro Faria of the Getulio Vargas Foundation (FGV) in Rio de Janeiro has concluded that "the country is headed for turbulence."

The short-term indicators, according to Faria's survey, are in a moderate risk zone, but they have recently deteriorated. The long-term indicators are divided between moderate risk and high risk. Worst of all are the medium-term indicators, which show that Brazil is far below the average for all the groups surveyed, and what is more ominous, it is worse off than Mexico in terms of that country's average for 1993 and 1994, that being the period immediately preceding Mexico's disaster. Faria's paper will be published with all its details in the July edition of CONJUNTURA ECONOMICA, the FGV publication which he edits.

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Faria's comparison involves various groups such as the Latin American countries minus Brazil, Asian emerging countries, developing countries with access to the international capital market, and countries that have recently experienced problems servicing their foreign debt. The comparison also includes Mexico alone for the years 1993 and 1994.

Some of the medium-term indicators used by Faria are the real interest rate, the public deficit, and the exchange rate.

From 1990 to 1996, Brazil had an average real interest rate of 13.4 percent per year, and in 1995 and 1996 the rate was 22.1 percent per year. Latin America minus Brazil had an average of 2 percent from 1990 to 1996 and of 6 percent in 1995 and 1996. Mexico had an average real interest rate of 6.3 percent in 1993 and 1994.

Those who argue that Brazil's high interest rates are a defense against an exchange crisis (since they attract capital) are reminded by Faria that "the interest rate is a risk indicator." He notes that the maximum real interest rates in Argentina throughout the period of transition from hyperinflation to a stabilized economy and even those in Mexico following the 1994 crisis were 10 percent.

Concerning the exchange rate, Faria uses data published by CEPAL [Economic Commission for Latin America and the Caribbean] that measure the exchange "difference" (he avoids using the word "lag") from the base year of 1990, and he uses the IPC [Consumer Price Index], not the IPA [Wholesale Price Index], as a deflator.

Comparing the average for the period from 1990 to 1996 with the base year of 1990 shows that the value of the Brazilian currency has increased by only 1 percent, compared to an average of 9.6 percent for all Latin American countries other than Brazil. But if the comparison is made only between the average for 1995-1996 and the base year of 1990, the increase in the exchange rate rises to 44 percent in Brazil compared to 5.6 percent in the rest of Latin America.

Taking Latin America minus Brazil and Mexico (whose sharp devaluation in 1994 distorts the result), Faria arrives at an average of 15.2 percent in the period from 1990 to 1996 and of 13 percent in 1995-1996. Lastly, looking at Mexico separately in 1993 and 1994 and comparing that average with the base year 1990, Faria finds that the increase in value was 25 percent.

Faria warns that that comparison needs to be analyzed with great care and that at no time is he suggesting that Brazil has accumulated an exchange gap of 44 percent in two years. He also recognizes that, as is shown by the difference between the periods 1990-1996 and 1995-1996, the devaluation of the Brazilian currency at the start of the decade may have been offset to some extent by the recent revaluation. It is good to also keep in mind that these are comparisons between averages, not a point-by-point calculation.

With all those provisos, Faria feels that the exchange "difference" in the 1995-1996 period is a high-risk factor. The thing that interests Faria in this case is a comparison between Brazil's performance and that of the rest of Latin America during the same period or that of Mexico in the period before its crisis. In that respect, Brazil has gone much farther with a strategy for revaluing the exchange rate in a short period of time, something he considers imprudent. Faria points out that there is also controversy over which is the best index for calculating the exchange "difference": the IPC or the IPA. Using the latter, which the Brazilian Government prefers, makes the "difference" much smaller.

The last medium-term risk indicator is the public deficit, and in that area, Brazil's poor performance during the most recent period is crystal clear. In the case of the operating deficit (which does not include monetary correction of the public debt), Brazil jumped from an average of 1.1 percent between 1990 and 1996 to 4 percent in 1995 and 1996 (with 1996 being estimated at 3 percent).

Latin America minus Brazil had an average deficit of 0.3 percent from 1990 to 1996 and a surplus of 0.3 percent in 1993-1996. The Asian countries had deficits of 2.3 percent and 1.9 percent respectively. For all the developing countries with access to the international capital market, the average was a deficit of 0.8 percent from 1990 to 1996 and also in 1995-1996. Lastly, Mexico had an average surplus in 1993-1994. "This shows that being in fiscal equilibrium is not enough to avoid a crisis when a basic price such as the exchange rate is wrong," Faria says.

Faria's short-term indicators are the ratio of reserves to imports and the balance on current account in terms of GDP [gross domestic product]. In both cases, "the risk is still low, but Brazil has deteriorated," according to the economist. The deficit on current account, for example, went from an average of 0.8 percent between 1990 and 1996 to an estimated 2.7 percent in 1995-1996—still much better than Mexico's average of 7.2 percent in 1993 and 1994.

With respect to what Faria considers the long-term indicators, Brazil's performance is uneven. In the relationship between direct investment and total capital flow, Brazil (assuming that direct investments in 1996 will

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total $6 billion) is doing surprisingly badly at 16 percent in 1990-1996 and 15 percent in 1995-1996. The averages during those same two periods for countries with recent foreign debt problems were 32 and 36 percent respectively. Mexico's average in 1993-1994 was 28 percent.

In the case of gross capital formation (the investment rate), Brazil is also below the average for all the groups analyzed by Faria. Our country is improving a great deal as regards net indebtedness (debt minus international reserves) in terms of GDP, with figures significantly below the average for Latin America.

Faria notes that the huge reserves accumulated by Brazil (nearly $60 billion) reduce net indebtedness and enable the country to perform well as regards indicators depending on that variable. In the economist's opinion, however, the medium- and long-term indicators as a whole show that the country is moving in the direction of the storm.

"Brazil is entering a zone of turbulence with its reserves as its armor. What the speculators on foreign exchange may be wondering is whether, in case of attack, the government will be in a political position to use that weapon to the end, even at the cost of shrinking the monetary base (by selling dollars for reals) to such an extent that we will head for a big recession."

Chile

Chile: Economic Agreement Signed With Mercosur

PY2806001596 Santiago ESTRATEGIA in Spanish 26 Jun 96 pp 23-26

["Text" of Mercosur-Chile Economic Complementation Agreement signed by Mercosur and Chile in San Luis de Mendoza, Argentina, on 25 June 1996]

[FBIS Translated Text] The Governments of the Republic of Argentina, the Federative Republic of Brazil, the Republic of Paraguay, and the Oriental Republic of Uruguay — being members of the Common Market of the South (Mercosur) — and the Government of the Republic of Chile are hereby named the Signatory Parties. The Contracting Parties of this Agreement are Mercosur and the Republic of Chile.

Whereas:

The need to strengthen the Latin American integration process, seeking to fulfill the objectives of the 1980 Montevideo Treaty through the establishment of agreements to allow the participation of more country members of the Latin American Integration Association (ALADI) and thus create an expanded economic region;

The creation of free trade areas in Latin America is a relevant way to implement existing integration plans, beside being an essential stage for the process of integration and the establishment of a hemispheric free trade zone;

Regional economic integration is an essential instruments to allow Latin American countries to progress in their economic and social development and thus ensure better living standards for their people;

The enforcement of democratic institutions is an essential element for the development of the process of regional integration;

The Mercosur States, through the signing of the 1991 Asuncion Treaty, have taken a significant step toward achieving the objective of Latin American integration;

The Marrakesh agreement, which created the WTO, is a framework of rights and obligations to which trade policies and the commitments of this agreement will adjust;

The integration process between Mercosur and Chile seeks to allow free circulation of goods and services, facilitate the full use of production factors in an expanded economic region; stimulate reciprocal investments; and promote the development and use of physical infrastructure;

The interest of the Contracting Parties in the development of trade relations and economic cooperation with countries of the Pacific area, and the need for joint efforts and actions in the cooperation forums in such areas;

The establishment of clear, predictable, and lasting regulations is essential to enable economic operators to fully use mechanisms of regional integration;

This agreement is an important factor for the expansion of trade between Mercosur and Chile, and establishes the basis for a broad reciprocal economic complementation and integration.

They Agree:

To sign this Economic Complementation Agreement in accordance with the 1980 Montevideo Treaty, Resolution No 2 of the ALADI Council of Ministers, and the regulations established as follows:

TITLE I

OBJECTIVES

Article 1. This agreement has the following objectives:

- To establish a juridical and institutional framework of economic and physical cooperation and integration that

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will contribute to the creation of a expanded economic region to facilitate the free circulation of goods and services and the full use of the production factors;

- To create a free trade area among the Contracting Parties within a maximum term of 10 years through the expansion and diversification of trade and the elimination of tariffs and non- tariff restrictions which affect reciprocal trade;

- To promote the development and use of the physical infrastructure, with special emphasis on the establishment of bioceanic interconnections;

- To promote and stimulate reciprocal investments among the economic agents of the Signatory Parties;

- To promote economic, energy, scientific, and technological complementation.

TITLE II

TRADE LIBERATION PROGRAM

Article 2. The Contracting Parties will create a Free Trade Zone within 10 years through a Trade Liberation Program, which will be applied on products produced in the territories of the Signatory Parties. The program will consist of progressive and automatic tariff reductions on existing tariffs for third countries at the time the merchandise is delivered.

For this purpose, they agree:

a. To adopt, in reciprocal trade as of 1 October 1996, the following margins of preferences on all products that are not included in the lists that comprise Annexes 1 to 12. (see chart)

b. The products included in Annex 1 will enjoy the margin of preference indicated in each case, which will evolve in accordance with the timetable. (see chart 2)

c. The products included in Annex 2 will be under a special tariff reduction rate in accordance with the timetable that concludes in 10 years. (see chart 3)

d. The products included in Annex 3 will be under a special tariff reduction rate in accordance with the attached timetable that concludes in 10 years. (see chart 4)

Before 31 December 1999, the Administrative Commission that was created in Article 46 will establish tariffs on products included in Annex 4 for the trade between the Republic of Chile and the Republic of Paraguay. Until then, the tariff will have identical treatment to what is established in this clause.

e. The products in Annex 5 will get a special treatment and will be under the tariff reduction rate indicated in it, which concludes in 10 years.

f. The products in Annex 6 will have lineal and automatic tariff reductions starting on the 10th year in order to reach 100 percent preference in 15 years, as of the start of the Trade Liberation Program. (see chart 5)

g. The products included in Annex 7 will get special treatment and will be under the tariff reduction rate indicated in it, which concludes in 15 years.

h. The products included in Annex 8 will have lineal and automatic tariff reductions as of the 11th year in order to reach 100 percent preference in 16 years, as of the start of the Trade Liberation Program. (see chart 6)

i. The Administrative Commission will define before 31 December 2003, incorporation into the Trade Liberation Program of the products included in Annex 9, which as of 1 January 2014 will enjoy 100 percent preference.

j. The products in Annex 10 will have initial preferences that are expressly indicated in it.

k. Chilean products exported to Argentina and included in Annex 11, whose tariffs after implementing the appropriate margin of preference is higher than that established in such Annex, will be ruled by this Annex.

l. Used merchandise will not receive any benefit from the Trade Liberation Program of this agreement.

Article 3. The Administrative Commission may at any time expedite the gradual tariff reduction program established in this Title, or improve export conditions for any product or group of products.

Article 4. Chilean export products whose tariff reduction resulting from the Trade Liberation Program would imply the application of a tariff below the one indicated in the list of Annex 12 to have access to markets, will be ruled by this Annex.

Without affecting the decision in the previous paragraph, Chilean products included in the lists of Annexes 5 and 7, and which are listed in Annex 12 by the State Member of Mercosur, will be ruled by the tariff resulting from the preference agreed in Annexes 5 and 7 in accordance with the conditions established in them.

The Administrative Commission may update Annex 12 with the sole purpose of registering reductions of residual tariffs applicable to Chile which are the result of the enforcement of this article.

Article 5. Custom tariffs and other taxes of an equivalent effect, be they of fiscal, monetary, money exchange, or any other kind that may have an impact on imports will be regarded as "duties." This concept does not apply to similar fees or surcharges if they are equivalent to the cost of the rendered services.

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The Signatory Parties may not establish other duties or tariffs of equivalent effect other than the custom tariffs that are in force on the date the Agreement is signed, nor increase the impact of the mentioned duties and tariffs of an equivalent effect. The mentioned duties and tariffs are listed in the Complementary Notes of this Agreement.

The duties and tariffs of equivalent effect mentioned in the Complementary Notes of this Agreement will not be subject to the Trade Liberalization Program.

Article 6. Aside from what is established in the WTO agreements, the Signatory Parties will not apply new export duties on reciprocal trade, nor increase the impact of those already in force in a discriminatory manner among each other as of the implementation of this Agreement. The current duties are listed in the Complementary Notes of this Agreement.

Article 7. None of the Parties will maintain or apply new non- tariff barriers on imports or exports of products from their territory to that of another party, either through quotas [contingentes], licenses, or other measures, aside from what is established in the WTO agreements.

Despite the aforementioned, current measures listed in the Complementary Notes of this Agreement may be maintained.

The Administrative Commission will ensure they are eliminated as soon as possible.

Article 8. In compliance with this Agreement, the Contracting Parties agree to not apply to their reciprocal trade specific duties other than those already existing, increase their impact, apply them on new products, or modify the formula to calculate them, so as not to deteriorate the terms of access to the market of the other party.

Article 9. As long as the Administrative Commission deems it justified and necessary, the Complementary Notes of this Agreement may be reviewed, corrected, and modified or order to contribute to trade liberalization.

Article 10. When this Agreement is signed, the Contracting Parties will exchange the list of custom tariffs currently in force and keep each other briefed, through the appropriate mechanisms, of future changes and, for its information, send a copy of these changes to the LAFTA General Secretariat.

Article 11. The Contracting Parties agree that, with the implementation of this agreement, products included in the Trade Liberalization Program should be subject to the fulfillment of the trade practices mentioned in this agreement.

Article 12. The Signatory Parties will apply the corresponding custom tariffs currently in force for third countries on any product manufactured or originated in free zones of any nature situated within the territory of the Signatory Parties in compliance with their respective national laws. Those products should be duly identified.

The measures currently in force for the entry to the market of the Signatory Parties do not apply to products from free zones in their respective territories.

TITLE III

SYSTEM GOVERNING PRODUCT ORIGIN

Article 13. In making imports under the Trade Liberation Program, the Parties will abide by the system on product origin established in Annex 13 of this Agreement.

In accordance with the provisions of Article 46, the Administrative Commission of the Agreement may:

a) Modify the rules contained in the above Annex;

b) Modify the elements or criteria established in the above Annex for the purpose of determining the origin of a product;

c) Establish, modify, suspend, or eliminate specific requirements.

TITLE IV

TREATMENT CONCERNING DOMESTIC TAXES

Article 14. Regarding domestic taxes and fees, the Signatory Parties hereby refer to the provisions of Article III of GATT 94.

TITLE V

UNFAIR TRADE PRACTICES

Article 15. When implementing compensatory or antidumping measures to counter the damaging effects of unfair competition, the Signatory Parties will conform their laws and regulations to their commitments to the WTO agreements.

Article 16. If one Signatory Party of a Contracting Party decides to impose compensatory or antidumping measures on imports that originate in third countries, it will inform the other Contracting Party about these measures to enable the latter to evaluate and monitor the entry of the offending imports into its own market through the appropriate organizations mentioned in Article 46.

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Article 17. If one of the Signatory Parties of a Contracting Party deemed another Contracting Party is importing from third countries under dumping and/or subsidized terms, it may ask for consultations to determine the true conditions under which those items are being imported. The consulted Contracting Party will adequately study and respond to the consultation within 15 working days.

TITLE VI

DEFENSE OF COMPETITION AND CONSUMERS

Article 18. The Contracting Parties will promote — as soon as possible — a normative system based on internationally accepted provisions and practices, which would become the framework for punishing possible practices that are detrimental to competition.

Article 19. The Contracting Parties will implement joint actions to establish specific norms and commitments so that products originated in their territories may enjoy a treatment that would be no less favorable than that accorded to similar domestic products in terms of aspects related to the defense of consumers.

Article 20. The appropriate organizations from the Signatory Parties will implement a cooperation layout to accomplish, in the short term, a first level of understanding on these issues; and a set of procedures for addressing specific cases that may arise.

TITLE VII

SAFEGUARDS

Article 21. The Contracting Parties commit themselves to implement a System of Safeguarding Measures as of 1 January 1997.

Until this system comes into effect, the concessions negotiated in this Agreement will not be the object of safeguarding measures.

TITLE VIII

SOLUTIONS TO CONTROVERSIES

Article 22. Controversies that evolve over the interpretation, application, or lack of compliance of the current Agreement and of the protocols included in it will be settled under the System for Solving Controversies mentioned in Annex 14.

Once constituted, the Administrative Committee must begin the necessary negotiations to define and agree on an arbitration procedure that will be implemented as of the fourth year of validity of the Agreement.

If the pertaining negotiations are not concluded within the period of time specified in the former paragraph, or if no agreement is reached on such procedure, the Contracting Parties will adopt the arbitration procedure foreseen in Chapter IV of the Protocol of Brasilia.

TITLE IX

CUSTOMS EVALUATION

Article 23. The WTO Customs Evaluation Code will regulate the customs evaluation system adopted by the Signatory Parties for their reciprocal trade.

The Signatory Parties agree not to make use in their reciprocal trade of the options and reserves foreseen in Article 20 and in Paragraphs 1 and 2 of Annex III of the Agreement on the application of Article VII of the 1994 GATT agreement. This commitment will be effective as of 1 January 1997.

Article 24. Within the system of price bands established by Chilean law for the importation of goods, the Republic of Chile promises, within the framework of this agreement, not to include new products or to modify the mechanisms or to apply them in such a way that they deteriorate the conditions of access for Mercosur.

TITLE X

TECHNICAL NORMS AND RULES, SANITARY, PHYTOSANITARY, AND OTHER MEASURES

Article 25. The Signatory Parties will respect the obligations contracted in the Agreement over Technical Obstacles to Trade and the Agreement over the Application of Sanitary and phytosanitary Measures of the WTO.

Article 26. The regulations in effect in the countries of the Signatory Parties at the moment of the signature of this Agreement will be exchanged within a maximum period of six months as of their validity.

The regulations will be revised by the Administrative Committee so as to verify that they will not really constitute an obstacle to reciprocal trade. If such case did arise, the negotiation procedures will immediately be initiated to make them compatible within a term that will be defined by the Administrative Committee. If the term expires and an agreement is not reached, the regulation will have to be incorporated into the Complementary Notes established by Article 7 of this Agreement.

The Administrative Committee will establish the provisions for the notification of the new norms, technical rules, and sanitary and phytosanitary measures as well as provisions for their harmonization and compatibility.

Article 27. The Signatory Parties agree to emphasize the importance of adopting coordinated guidelines and criteria for compatibilization of norms and technical regulations. They also agree to make efforts to identify the productive areas in which procedures for inspection,

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control, and approval may be made compatible, leading to the mutual recognition of those procedures. To this end, progress in the sector within Mercosur will be taken into account.

Article 28. The Contracting Parties express their wish to prevent the phytosanitary measures from becoming unjustified obstacles to commerce.

To this end, they promise to harmonize such measures and to make them compatible within the framework of the WTO Phytosanitary Agreement.

Article 29. The Signatory Parties promise to define, within the short term, regulations for transit to and from third parties or between the Contracting Parties, through one or more Signatory Parties, of farm products or industrial agricultural products originating with or shipped from their respective territories, whenever requested by any one of them. To this end, the criterion of minimum risk and scientific justification of the regulations — in keeping with WTO rules — will be applicable.

TITLE XI

IMPLEMENTATION AND USE OF EXPORT INCENTIVES

Article 30. For the implementation and use of export incentives, the Signatory Parties will abide by the commitments assumed within the WTO.

Within 12 months of the date of enforcement of this Agreement, the Administrative Committee will make a survey and an examination of export incentives in force in each Signatory Party.

Article 31. Upon completion of the fifth year of enforcement of this Agreement, products manufactured with foreign materials that are temporarily imported, or that are under a draw-back regime, will no longer benefit from the Liberation Program established in this Agreement.

TITLE XII

PHYSICAL INTEGRATION

Article 32. Recognizing the importance of the physical integration process as an essential instrument for the creation of an expanded economic area, the Signatory Parties promise to facilitate the transit of people and the circulation of goods, and to promote commerce between the Parties and with third markets through fully operational land, river, maritime, and air links.

To this end, along with this Agreement, the Signatory Parties hereby sign a Protocol of Physical Integration, committing themselves to implement a coordinated program of investments in physical infrastructure projects.

Article 33. The Mercosur countries, whenever appropriate, and the Republic of Chile hereby commit themselves to improve their national infrastructure, in order to promote two-ocean transit interconnection. They promise to improve and diversify land communications, and to encourage projects to increase the capacity of ports, with the free use of such capacity.

To this end, Mercosur countries, whenever appropriate, and the Republic of Chile will promote both public and private investments. They promise to establish budget allocations to help achieve those objectives.

TITLE XIII

SERVICES

Article 34. The Signatory Parties will promote the gradual liberalization, expansion, and diversification of services in their respective territories within a specific period of time and in compliance with the commitments assumed within the framework of the General Agreement on Service Trade [Acuerdo General sobre Comercio de Servicios] (GATS).

Article 35. For all intents and purposes of this Title, "services" are defined as the rendering of a service:

a). from the territory of one Signatory Party to the territory of another Signatory Party.

b). within the territory of one Signatory Party to a service consumer of another Signatory Party.

c). by a supplier of services of one Signatory Party through the commercial presence in the territory of another Signatory Party;

d). by a supplier of services of one Signatory Party through the presence of an individual from one Signatory Party in the territory of another Signatory Party.

Article 36. To implement the objectives established in Article 34, the Contracting Parties agree to start work to define the characteristics of the Liberalization Program for the different service sectors to be affected by this trade.

TITLE XIV

TRANSPORTATION

Article 37. The Signatory Parties will be instrumental in providing transportation services. They will also encourage efficient land, river, lake, sea and air transportation services in order to offer proper conditions to improve the circulation of goods and individuals in view of the increasing demand that will result from the extended economic region.

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Article 38. The Contracting Parties hereby agree to abide by what is established in the Southern Cone International Land Transportation Agreement and any additional amendments.

Those Mercosur agreements signed prior to the date of the current Agreement are listed under Annex 15.

The Administrative Committee will identify those agreements signed within the framework of Mercosur whose implementation will be to the common interest of both Contracting Parties.

Article 39. Without detriment to those measures established in TITLE X of this Agreement, no merchandise manufactured in Mercosur or Chilean territory that is in transit through the territory of another Party and heading for third-country markets will be subject to transit restrictions or to restrictions on its free circulation in the respective territories.

Article 40. Through Additional Protocols adhered to the current Agreement, the Signatory Parties may establish specific regulations and commitments on land, river, sea and air transportation within the framework of what is established in this Title and the corresponding timetables for their implementation.

TITLE XV

INVESTMENTS

Article 41. Bilateral agreements on the promotion and reciprocal safeguarding of investments signed between Chile and Mercosur member countries will continue to be fully enforced.

TITLE XVI

DOUBLE TAXATION

Article 42. To promote reciprocal investments, the Signatory Parties will strive to form agreements to avoid double taxation. None of what is established in the current Agreement will affect the rights and obligations of any of the Parties encompassed in any currently enforced or future tax agreement.

TITLE XVII

INTELLECTUAL PROPERTY

Article 43. The Signatory Parties will abide by the Trade- Related Intellectual Property Rights [TRIPS] clause included in Annex Ic of the WTO Agreement.

TITLE XVIII

SCIENTIFIC AND TECHNOLOGICAL COOPERATION

Article 44. The Signatory Parties will encourage joint actions to implement cooperation projects for scientific and technological research. The parties will also work on programs to disseminate the progress achieved in these fields. The parties will take into account the Agreement on Industrial, Scientific, and Technological Cooperation in effect among all Signatory Parties for this purpose.

Article 45. This cooperation might take different forms, including the following:

a) exchange of knowledge and results of research and experiences;

b) exchange of information on technology, patents, and licenses;

c) exchange of goods, materials, equipment, and services necessary for the implementation of specific projects;

d) joint research on scientific and technological matters seeking the practical use of results;

e) organization of seminars, symposiums, and conferences;

f) joint research for the development of new products, the development of manufacturing methods, production administration, and for improving technological performances;

g) other methods of scientific and technical cooperation with the purpose of favoring the signatory parties' development.

TITLE XIX

AGREEMENT ON ADMINISTRATION AND EVALUATION

Article 46. The administration and evaluation of this agreement will be headed by an Administrating Commission that comprises the Mercosur Common Market Group and the Chilean foreign minister through the International Economic Relations General Directorate.

The Administrating Commission will be constituted within 60 days from the day this Agreement is signed. It will establish its internal regulations in its first meeting.

The Administrating Commission will adopt decisions by consensus.

Article 47. The Administrating Commission will:

a) oversee the fulfillment of this Agreement and Additional Protocols and Annexes.

b) determine in each case the methods and periods for the negotiations required to realize the objectives of this Agreement and the creation of work groups for this purpose;

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c) regularly assess progress in the deregulation program and in the general operation of this Agreement. The Commission will present every year a report to this effect as well as on the fulfillment of the general objectives described in Article 1 of this Agreement;

d) contribute to solutions to controversies in accordance with what is established in Annex 14 and carry out negotiations as provided in Article 22 of this Agreement.

e) elaborate and approve a Safeguard Regime within the period established in Article 21 of this Agreement and supervise its implementation;

f) supervise the application of the different commercial disciplines agreed between the Contracting Parties, such as origin regime, safeguard clauses, defense of competitiveness, and unfair trade practices.

g) establish, as appropriate, proceedings for the application of commercial disciplines contemplated in this Agreement and propose to the Contracting Parties eventual changes in those disciplines, if necessary.

h) convene the Signatory Parties to fulfill the objectives established in Title 10 of this Agreement relative to the Harmonization of Norms and Technical Regulations, Phytosanitary Measures, and other measures;

i) establish mechanisms to ensure the active participation of representatives of productive groups;

j) review the Program of Commercial Deregulation in case one of the Contracting Parties substantially modifies, in a selective and/or generalized way, its general tariff system.

k) evaluate and propose mechanisms in the area of automobiles (finished vehicles) before the fourth year of implementation of this Agreement in order to improve the conditions for access to the respective markets of the parties.

l) fulfill other tasks commissioned to the Administrating Commission and derived from dispositions included in this Agreement, Additional Protocols, and other Instruments signed under its jurisdiction, or by the Contracting Parties.

TITLE XX

GENERAL PROVISIONS

Article 49. [number as published] As of the date of enforcement of this Agreement, the Signatory Parties will cancel negotiated tariff preferences and normative systems linked to them, as established in the Partial Economic Complementation Agreements Nos. 16 and 4, Renegotiation Agreements Nos. 3 and 26, and the Trade Agreements signed within the framework of the 1980 Montevideo Treaty. Nevertheless, the provisions of these Agreements that are not incompatible with this Agreement or which refer to matters not included in this Agreement will remain in force.

Article 50. No provision of this Agreement will be interpreted in the sense of preventing a Signatory Party from taking or implementing measures under Article 50 of the 1980 Montevideo Treaty or Articles XX and XXI of GATT 1994, let alone the provisions established in the Articles under Title X of this Agreement.

Article 51. This Agreement replaces, for all practical purposes, tariff rates, certificate of origin requirements, and safeguard clauses currently in force among the Signatory Parties, except for the Markets Opening List issued by the Republic of Chile for the Republic of Paraguay.

Article 52. The Contracting Party that approves advantages, favors, franchises, immunities, or privileges for products from or to any other country that is or is not an ALADI member, following decisions or accords that are not established in the 1980 Montevideo Treaty, shall:

a) inform the other party, within 15 days after the signing of the Agreement, attaching the text of the Agreement and its complementary instruments.

b) announce, on the same occasion, its decision to negotiate, within a 90-day period, concessions equivalent to those approved or received globally.

c) if a mutually satisfactory solution is not achieved in the negotiations established under Paragraph b), the parties will negotiate equivalent compensations within a 90-day period.

d) if agreement is not achieved in the negotiations established under Paragraph c), the affected party can resort to the Controversies Settlement Procedure enforced in this Agreement.

TITLE XXI

CONVERGENCE

Article 53. On the occasion of the Assessment and Convergence Conference established under Article 33 of the 1980 Montevideo Treaty, Contracting Parties will review the possibility of the rates established in this Agreement gradually achieving a multilateral status.

TITLE XXII

ADHERENCE

Article 54. In compliance with the provisions established in the 1980 Montevideo Treaty, this Agreement is open, through previous negotiations, to the adherence of the other ALADI member countries.

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This adherence will be formalized after its terms have been negotiated between the contracting parties and the adhering country, through the achievement of an Annex to this Agreement that will go into effect 30 days after delivering it to the ALADI General Secretariat.

TITLE XXIII

APPLICABILITY

Article 55. This Agreement will come into force on 1 October 1996 for an indefinite period of time.

TITLE XXIV

DENOUNCEMENT

Article 56. Any Contracting Party that wants to denounce this Agreement shall relay its decision to the other signatory countries 60 days before delivering the appropriate denouncement note to the ALADI General Secretariat.

After formalizing the denouncement, the contracted rights and duties established in this Agreement will no longer apply for the denouncing party, but the contracted rights and duties concerning the Trade Liberalization Program, the removal of non-tariff measures, and other issues on which the Contracting Parties and the denouncing party achieve agreement 60 days after formalizing the denouncement will remain in effect. These rights and duties will remain in effect for a one-year period, as of the date of delivery of the appropriate denouncement note, unless the Contracting Parties achieve an agreement on a different period of time.

The termination of duties concerning the commitments entered in the field of investments, infrastructure projects, energy integration, and other commitments agreed upon will be governed by the Agreement achieved on this matter.

TITLE XXV

AMENDMENTS AND ADDITIONS

Article 57. Amendments and additions to this Agreement may be made by agreement among the parties alone. They will be submitted for approval by the Administrative Commission and formalized through an Agreement.

TITLE XXVI

DEPOSITARY

Article 58. The ALADI General Secretariat shall be the depositary of this Agreement. The ALADI General Secretariat will send certified copies of this Agreement to all signatory parties.

This Agreement was drawn up in Potrero de Funes, San Luis Province, Argentine Republic, on 25 June 1996 in seven copies — all of which are equally legal — in Spanish and Portuguese.

[Dated] 26 June 1996

Chile: Reactions to Association With Mercosur, EU Noted

PY2806034396

[FBIS Report] Santiago dailies publish, in their 26 and 27 June issues, reaction to the agreements concretizing Chile's association with Mercosur (Common Market of the South) and the EU.

LA TERCERA DE LA HORA in Spanish on 26 June carries, on page 24, a 1,500-word unattributed article noting reactions of several heads of business and commercial institutions to the accord.

Pedro Lizana, president of the Industrial Development Association, said: "The agreement with Mercosur has the following advantage: It allows us to conquer new markets in exchange for something. There is an immediate tariff reduction. Chilean businessmen are ready for this challenge and their only apprehension concerns having experienced, in the last five years, a gradual loss or drop in the value of the dollar, which could be reversed with the drop in copper prices. This trend cannot continue because medium and small industry has suffered a deterioration of over 30 percent of the value of the dollar."

Jose Antonio Guzman, president of the Production and Trade Confederation, said: "The Chilean association with Mercosur is a very important step forward because it will strengthen the presence of our economy abroad. This agreement will open important possibilities for developing our trade and investments. In global terms, it is beneficial and its results will be seen from the medium term onward. It is true that some sectors did not receive many benefits, but this is the inevitable consequence of the opening process, such as the case of a sector of agriculture."

Alfonso Mujica, president of the National Chamber of Commerce, said: "Regarding foreign relations and international trade, the association with Mercosur is perhaps the most important event that has happened to the country in the second half of this century, at least. The projections of the agreement for Chile with regard to trade possibilities and provision of services to all countries are still unthinkable. We are still not able to measure its meaning. If one looks at the effect an outlet to the Pacific through Chile may have on Argentina

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and Brazil, one can understand why people are not yet assimilating the agreement."

Rafael Cumsille, president of the Retail Business Confederation, said: "For retail business this is a historic event that is very good for Latin American integration. The confederation has always supported the association with Mercosur because we believe this is the visionary path shown by Diego Portales, Jose de San Martin, and Simon Bolivar. We are very happy and hopeful with the agreement signed in Argentina yesterday. The effects of the association with Mercosur in the short term are quite positive from any point of view because our exports, especially fruits, will reach Brazil and the other Mercosur countries faster."

Ernesto Correa, president of the National Agricultural Association, reiterated on several occasions that, although Merecosur benefits many sectors of the Chilean economy, it seriously affects the national agricultural sector. He said: "To alleviate the negative effects, we recommended a package of measures, such as the ones asking the government not to eliminate the tariffs for importing agricultural elements and machinery from any country, asking for the establishment of a 25 percent bonification for buying fertilizers, promoting irrigation programs to facilitate the modernization of production in the most affected regions, creating lines of long-term credits for agriculture, and reorganizing the Commission for Preventing Distortions to include agricultural representatives in the commission."

Ronald Bown, president of the Exporters Association, said: "We find the agreement highly positive, not only because of the benefits the association represents for the future, but also because the current conditions were maintained. Not having joined Mercosur would have meant losing the preference we currently have."

Roberto Fantuzzi, president of the Association of Exporters of Nontraditional Manufactured Products, said: "The Chilean association with Mercosur is highly positive because it opens a great horizon for us due to the millions of people living in the Mercosur countries." He added: "The great challenge we are facing is the modernization of industry, preparing for the new responsibility of supplying this new market."

Enrique Falcon, president of the United National Confederation of Small Industries and Crafts, said: "It is still premature to make an evaluation because we don't have enough information, but it seems like something positive at the national level."

Peter Hill, president of the Santiago Chamber of Commerce, said: "The association with Mercosur is very positive, especially within the context of the globalization Chile is experiencing, because our market is expanded to 250 million people."

Juan Riveros, president of the Association of Metallurgical Manufacturers, said: "The association with Mercosur is a real positive option for expanding markets thanks to the elimination of custom barriers."

EL MERCURIO in Spanish on 26 June carries, on page C3, a 500-word article on reaction by parties and politicians to the Chilean association with Mercosur. The Chilean Socialist Party approved the association, saying that Mercosur "opens interesting possibilities for most of the country's productive activities." The Socialist Party says, however, that the association has some risks, that it is necessary to have an adequate policy for stimulating the modernization of production among the sectors that will face competition problems.

Senator Francisco Javier Errazuriz, president of the Progressive Center Center Union, said that after the goverment discloses the details of the agreement, an evaluation can be made to measure the costs and benefits for the Chilean economy.

National Renewal Senator Sergio Romero warned that it is necessary to implement compensatory measures to help the sectors affected by the Mercosur agreement.

Santiago EL MERCURIO in Spanish on 27 June carries, on page A3, a 500-word editorial entitled "Agreement With the European Union," saying that "the signing of this framework agreement represents for President Eduardo Frei an important success in the political and communications fields, after the postponement suffered in the negotiations with NAFTA and the problems that emerged recently regarding the association with Mercosur. The near-simultaneous signing of agreements with the European Union and Mercosur puts our country in a respectable position and the government in a leadership role in international affairs."

Chile: Frei Interviewed on Mercosur, Trade With Asia

PY2606180896 Buenos Aires CLARIN in Spanish 25 Jun 96 pp 30-31

[Interview with President Eduardo Frei by Oscar Raul Cardoso and Nestor Restivo in Buenos Aires on 24 Jun; copyrighted by CLARIN]

[FBIS Translated Text] [CLARIN] Did Chile, as some maintain, obtain greater gains than the other member countries in negotiations to enter Mercosur [Common Market of the South]?

[Frei] Nobody signs a disagreement if it disadvantageous for his country. But one has to be sensible enough

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to reach an agreement, because if you seek to obtain all the advantages than you run the risk of a failure. I am fully convinced that the formula we reached is advantageous for all countries. Moreover, what we are signing now is only the start of a process that will allow us to perfect the agreements and solve controversies.

[CLARIN] Some believe that by virtue of this agreement, in two years time we will be able to unload Mercosur products in Asia. Do you believe Mercosur can implement a common trade strategy in Asia?

[Frei] Two basic things should be understood. First, one third of Chile's foreign trade is with the Asia-Pacific region and, consequently, it is vital to consolidate our presence in that region. Second, one should bear in mind the fact that APEC (Asia- Pacific Economic Council), of which Chile is a member, is a political forum that aspires to become a free trade zone. As a result of the Mercosur agreements, Chile's presence in Asia gives every member, the entire Latin American continent, an opportunity. Experience tells me that Asian businessmen will not approach the Southern Cone with their objectives focused on one single country. Japanese, Chinese, and Malaysian businessman are interested in a market of 200 to 300 million consumers.

[CLARIN] Is it not rather hasty and risky to believe that with Chile's entry to Mercosur, Argentina, Brazil, Uruguay, and Paraguay will almost automatically have access to Asia?

[Frei] It took Chile more than 10 years to export agroindustrial products to Japan and Korea. It is a long and complicated process. This should be understood and kept in mind.

[CLARIN] Does the fact that Chile chose to join the bloc in terms of a free trade zone limit its political future?

[Frei] I do not think so. We only started talking about common external tariffs three years ago. Now we are discussing services, preservation of the environment, integration of power supply, and bi-oceanic corridors. Economies become integrated and this is the result of political decisions.

[CLARIN] Have the Chilean Government and business sector reached a consensus, especially considering disagreements among farmers over an association with Mercosur?

[Frei] How much has the Chilean business sector invested abroad? Between $10 and 12 million. Where is that money? In the Southern Cone. What greater sign of consensus and confidence than that investment? Chilean businessmen are investing in Argentina, also in Brazil, Peru, and Bolivia. Money is very sensitive: If instability or a complex process are detected it withdraws immediately. In a globalized economy like the one that exists now, the agricultural sector is faced with modernization, which it will have to undergo whether or not we join Mercosur.

[CLARIN] Mercosur will adopt a democratic guarantee clause that neither the EU nor NAFTA have. Why does Latin America, like a newly converted person who must prove that he is truly converted, have to pass this test?

[Frei] This decision must be assessed from two angles. During my recent trip to Europe, I had to answer a lot of questions on this subject. In Latin America terrorism is not endemic and we can, as in the case of the Peruvian-Ecuadoran conflict, resolve the problems with our own mechanisms and in a civilized manner. Why then are we being asked for an additional test. It is also true that, 10 or 15 years ago, Latin America was an authoritarian region. This clause endorses a very clear definition. Democracy is necessary for our development.

[CLARIN] Should a true emergency in this sense surface, would this clause be really effective? Since World War II the need to defend democracy never resulted in any significant international mobilization...

[Frei] If any Mercosur member is shaken by a coup it would be excluded. I believe that in this sense there is a defined political will. The developments in Paraguay revealed a real physical presence among countries of the region to safeguard the democratic principles.

[CLARIN] Despite the integration process in which Argentina and Chile are engaged, they still seem unable to resolve the last border disagreement over the Southern Glaciers. Why do you think they are unable to do so?

[Frei] We must show some maturity. We have signed an agreement, we have the government's political will, and the Congresses must ratify them. The legislators can assess the agreement, and take their time but the problem is in their hands and they must solve it.

[CLARIN] I gather that you consider Argentina's idea of adding an explanatory protocol unacceptable. Is that so?

[Frei] If the purpose of the protocol is merely to explain, to establish details and add to the agreement, then it could be considered. However, if it seeks to substantially modify the agreement, then it is unacceptable.

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Chile: Foreign Minister Comments on Objectives With EU

PY2706125496 Santiago EL MERCURIO in Spanish 23 Jun 96 pp A1, A19

[Report by special correspondent Maria Jose Errazuriz L.]

[FBIS Translated Text] Florence — The main objectives Chile will pursue within the framework of the negotiations to be held on the liberalization of trade with European countries are the lowering of tariffs on manufactured products and cooperation on technical and environmental regulations enforced in the EU.

The above will allow Chile to overcome the great obstacles affecting its trade with the EU which have impaired the diversification and opening of markets to Chilean value-added products.

In view of this and unlike what has happened before, it is believed that traditional agriculture will not be an issue of conflict in trade negotiations with the EU.

The gradual and reciprocal negotiation process will start by the end of 1997 after the installation of the respective technical commissions in charge of handling the actual negotiations process. Chile hopes to conclude this negotiat

Colombia

Colombia: Attorney General Denies Bugging of U.S. Embassy

PA2706213196 Madrid EFE in Spanish 1529 GMT 27 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 27 Jun (EFE) — According to an investigation conducted by the Attorney General's Office, published by the local media today, the Colombian secret police has not been eavesdropping on the telephone lines of the U.S. Embassy in Santa Fe de Bogota nor does it have the technology to do so.

The investigation was ordered by the state's highest-ranking disciplinary body after U.S. Ambassador Myles Frechette accused the Administrative Department of Security (DAS, secret police) of spying.

Frechette received the support of Robert Gelbard, assistant secretary for international narcotics and law enforcement affairs, but the outgoing director of the DAS, Marco Tulio Gutierrez, rejected the accusations and described them as "disreputable actions" [bellaquerias].

EL ESPECTADOR newspaper of Santa Fe de Bogota stated in a report that the DAS installations were visited by officials from the Attorney General's Office, who concluded that the secret police does not have the capability to bug the telephone lines of the U.S. diplomatic mission.

The DAS has 130 listening points [aislados], 70 of which were active by judicial authorization, the report stated.

The investigators used those listening points to call the U.S. Embassy in the Colombian capital but the results of the attempts to tap the embassy's communications were always negative, the source added.

Colombia: Samper Confirms Extradition Refusal

PA2806034696 Paris AFP in Spanish 0203 GMT 28 Jun 96

[Report by Jose Luis Varela]

[FBIS Translated Excerpt] Santa Fe de Bogota, 27 Jun (AFP) — During an exclusive interview with AFP on Thursday, Colombian president Ernesto Samper confirmed Colombia's rejection of the U.S. Government's request to extradite four Cali Cartel kingpins. [Passage omitted on the already reported names of the drug traffickers involved and the note sent to U.S. Attorney General Janet Reno]

In 1979, Colombia and the United States signed a treaty that permitted the extradition from one country to the other persons on trial. The Colombian Constitution, however, abolished this practice in 1991.

Samper said he is not concerned over the interpretation abroad of Colombia's refusal. "In some way, refusing to honor the U.S. request gives us a chance to show that extradition is not the only way to fight drug traffic. Colombia has reinforced its legal system and announced stiffer penalties, in particular those that have to do with organized crime, and punishes the organization of cartels and associations to commit crimes. Drug traffickers are interned in very high-security prisons. All this shows that Colombia is prepared to try and sentence those who break the law."

He also referred to several incidents between Colombia and the United States over air traffic and charges that the Colombian secret police is spying. "I expect that all of these situations will be fortuitous and are not actions against Colombia," he said, and added that all these problems are derived from the fact that the United States will hold elections late this year. "I hope things will change when the U.S. elections are over. I interpret all the tension in our relations over the past few months as a logical expression of the nature of elections in that country," he said.

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Asked whether he expected any large U.S. offensive in a few months, he replied: "The relations can worsen, but they can also improve if the U.S. Government realizes that it is more profitable to present a united front in the counternarcotics struggle. In other words, to show what has been done, not what remains to be done."

He criticized the U.S. Government for having "dangerously applied a unilateral concept of the counterdrug struggle at a time when all countries speak of a multilateral struggle against this problem, I'm sorry to say."

Regarding the internal situation, he said the Congress' 12 June decision, which cleared him of all charges for the acceptance of drug-trafficking money in his electoral campaign, should normalize the situation. For this reason, he downplayed certain remarks by the prosecutor general, who on Tuesday told AFP that the case against Samper could be reopened if new evidence surfaces.

"I hope there will be no second offensive by the Prosecutor General's Office because any attempt to re-examine what has already been investigated, even if it is in the public's light, is a violation of the universal principle according to which no person can be investigated twice for the same charge."

Colombia: Court Head on 'Political Motives' of U.S. Request

PA2706154896 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 27 Jun 96

[Interview with Dr. Carlos Gaviria Diaz, president of the Colombian Constitutional Court, by Dario Arizmendi, Javier Ayala, and an unidentified reporter, in Santa Fe de Bogota; from the "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] We greet Dr. Carlos Gaviria Diaz, president of the Constitutional Court. Dr. Gaviria, good morning.

[Gaviria] Good morning.

[Arizmendi] Can the Colombian Government heed the request made by the U.S. Government for the extradition of four Colombian citizens?

[Gaviria] Absolutely not, Dario. Absolutely not, for two fundamental and definitive reasons. The first reason is that in order for a public treaty to be incorporated into our national legal norms, it is necessary to pass a congressional law. The extradition treaty signed between the United States and Colombia was incorporated by means of a law, but that law was later declared unconstitutional by the Supreme Court, which at that time was the body tasked with defending the country's Constitution. The second reason is that the country later approved the 1991 Constitution, which clearly establishes that Colombian citizens by birth cannot be extradited.

[Arizmendi] Dr. Gaviria, this means the ruling handed down by the Supreme Court that declared the extradition treaty unconstitutional is a closed case? The Constitutional Court will have nothing else to say about this case in the future?

[Gaviria] Not on that law because that law no longer exists. It no longer exists because it was definitely eliminated from the country's legal order by the Supreme Court.

[Arizmendi] Would President Ernesto Samper be violating the law if he decided to extradite Colombians?

[Gaviria] Without a doubt.

[Ayala] What would President Samper face if he were to extradite Colombians?

[Gaviria] He would face the same things any president would face if he violated the Constitution, if he violated the national legal order. He would be violating his political responsibilities and could be charged with a crime.

[Unidentified reporter] Is there any possibility that in spite of what the Constitution states, some people may argue that since the extradition law is an international treaty it should be in force?

[Gaviria] From my point of view, from my personal viewpoint, and given the reasons I have just mentioned, my conclusion would be the following: Even if the treaty remained in effect, it is unenforceable.

[Arizmendi] Do you personally agree with extraditions?

[Gaviria] Dario, I believe there are many ways to fight drug trafficking and not only drug trafficking but many crimes that have international repercussions. I believe the discussion on extradition is not even pertinent, it is not relevant, based on a clear fact, which is that the Colombian Constitution prohibits it. If that obstacle is removed, if the Colombian Constitution is reformed to allow extraditions, then we would be faced with a new perspective.

[Arizmendi] Does the U.S. Government have any political motives when asking the Colombian Government for an extradition knowing that the Colombian Constitution prohibits it and knowing that President Samper has refused to consider it?

[Gaviria] It is not up to me to make that judgment, but it would seem obvious to assume that this is indeed the case. If extraditions have no legal grounds — and the

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U.S. Government knows this — naturally it must be a part of their international policy.

[Arizmendi] There are two rulings that the Colombian people are expecting from the Constitutional Court. The first one has to do with the lawsuit you are examining regarding the treaty for the protection of foreign investments, which Colombia is to sign with the UK. When will this ruling be handed down?

[Gaviria] Dario, that ruling will be handed down approximately mid-July. I suppose you also want to know about the lawsuit on the penal code norm on illegal enrichment?

[Arizmendi] I was just going to ask about that.

[Gaviria] It should be handed down in mid-July as well.

[Arizmendi] Who is in charge of the respective cases at this time?

[Gaviria] Dr. Eduardo Cifuentes is in charge of the treaty with the UK and Dr. Alejandro Martinez is in charge of the penal code norm on illegal enrichment.

[Arizmendi] Dr. Carlos Gaviria Diaz, thank you very much for being with Emisoras Caracol Network this morning.

[Gaviria] You are welcome.

Colombia: Deputy Prosecutor Says U.S. Request 'Legitimate'

PA2706213496 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 27 Jun 96

[From the "National Newscast"; monitored from live relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] The United States is once again exerting pressure on Colombia. The letter sent by Attorney General Janet Reno asking for the extradition of the cartel's leadership is creating a new problem for the national government. Deputy Prosecutor General Adolfo Salamanca has already said he believes the request is legitimate and that it was to be expected following the president's acquittal. The debate was opened.

[Begin Salamanca recording] That is just one of the predictable consequences of the president's trial. I believe it is also the consequence of a government that has been subjected to all types of blackmail by the criminal organizations. What concerns us, I repeat, is not the request made by the U.S. Government, but the consequences that may stem from the simple answer that the Constitution prohibits the extradition of nationals. I believe the desire of the international community to try any indicted person in the world for international crimes is legitimate. The argument of the loss of sovereignty has no place here because a country's sovereignty is not undermined or violated when justice is done in any part of the world. In addition, the consequences of what is going on in Colombia today can be harmful. Remember the Noriega case in Panama. [end recording]

Colombia: Politicians React to U.S. Extradition Request

PA2806031496 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 28 Jun 96

[Report by Patricia Parada from the "24 Hours" newscast; monitored from relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] Deputy Prosecutor General Adolfo Salamanca said today that the extradition request made by the United States is nothing more than fallout from what has taken place with the trial against President Samper.

[Begin recording] [Parada] Several of the country's sectors pointed out today that the extradition request made by the United States stems from Washington's resolve to continue pressuring President Samper. They added that the petition is merely another of the predictable outcomes following the president's acquittal.

[Deputy Prosecutor General Adolfo Salamanca] I believe that this is also the result of a government that has been subjected to all sorts of blackmail by criminal organizations. Third, what is really of concern, I repeat, is not the request made by the U.S. Government, but the repercussions from just a simple response that the Constitution prohibits the extradition of Colombian nationals.

[Parada] While the deputy prosecutor general believes that it is legitimate for the international community to seek to prosecute any accused in the world, the country's Constitutional Court hesitates to issue an opinion with respect to what would take place if Colombia were required to give an account for failing to honor an extradition treaty.

[Constitutional Court President Carlos Gaviria Diaz] I limit myself to say what, from the constitutional point, is relevant and that is that neither the president of the Republic nor the government are in condition to implement this.

[Parada] This thesis is supported by the president of the Chamber of Representatives.

[Chamber of Representatives President Rodrigo Rivera] Well, the United States is allowed to file requests to

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our government, just as any other nation is allowed to do. However, the Colombian Government is obligated to respect the national Constitution. [end recording]

Colombia: Justice Minister on U.S. Extradition Request

PA2706192696 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 27 Jun 96

[Telephone interview with Justice Minister Carlos Eduardo Medellin in New York by news director Dario Arizmendi and reporters Edgar Artunduaga and Judith Sarmiento, in Santa Fe de Bogota; from the "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] We greet Colombian Justice Minister Carlos Eduardo Medellin. Mr. Minister, good morning.

[Medellin] Hello, Dario. How are you?

[Arizmendi] Well, sir, thank you. Were you surprised by U.S. Attorney General Janet Reno's extradition request and why?

[Medellin] Let us say that this request did not surprise me, because this has been, let us say, their unmistakable position on the subject of extradition. They have always said, both publicly and privately, that they have the necessary instrument, that the treaty is valid, that extradition should take place, and so on. Their strategy in making this sudden request was surprising, because we did not believe — this I should clearly say — that we would receive this request so suddenly. We refer to the timing and how this was made and not to the request itself, because this request, I repeat, has been their traditional position.

[Arizmendi] Exactly so, because they also know the position of Colombian President Ernesto Samper Pizano and his government to the effect that this subject is not included in this administration's agenda, because there are juridical and constitutional reasons that do not permit extradition. What do you think of the fact that the U.S. ambassador to Colombia formally made this request in writing last Monday? Are they attempting to gather arguments so as to apply sanctions later on during the evaluation of U.S. relations with our country after its decertification?

[Medellin] I would not think so, Dario, because cooperation should frankly be evaluated as a whole on the subjects that we are discussing. The subject of drug trafficking involves consumption, eradication of crops, laboratories, money laundering, (consultation), chemical precursors, the cocaine that is seized every day, and our daily search of drug traffickers. This subject is much more complex than just the extradition of four drug traffickers. It so happens that the extradition of these individuals is indeed very important for the U.S. Justice Department. However, we do not want to believe that, as you say, they are placing some [word indistinct] in order to later come up with a negative balance. I do not think that this balance can be made or that the request could be taken into consideration in order to evaluate our cooperation when it is already known that we can only say no because the Constitution prohibits us from doing otherwise.

[Arizmendi] Have you already given a formal reply in writing?

[Medellin] The reply has been prepared and sent. It should have arrived today at the Colombian Embassy in Washington to be formally and diplomatically delivered to U.S. Attorney General Janet Reno. Once she receives this reply, we will make it public.

[Arizmendi] You are in New York City. Are you scheduled to travel to Washington to meet with the U.S. attorney general?

[Medellin] No, sir. In Washington, I will attend the UN economic and social meeting on drug trafficking. By the way, the statements made by Colombian Foreign Relations Minister Rodrigo Pardo and by myself on our new projects have been welcomed. However, we are attending different meetings.

[Artunduaga] What may happen in the future, Mr. Minister, if the U.S. State Department's evaluation turns out to be negative by pointing out that Colombia is not cooperating because it refuses to extradite Colombian nationals?

[Medellin] Well, I cannot say. There is a wide scope of possibilities that may range, as you know, from negative evaluations or sanctions or [pauses] many things could happen. However, we would not like to dwell on the examination of the negative aspects of what may occur. We prefer to make progress in the subjects that are of common interest. This is what we are doing. We will continue working and taking action, because we have a moral and juridical conviction as well as principles. Therefore, let us not dwell on examining what good or bad things may happen, but rather let us continue working, because we should think of the future.

[Sarmiento] In her letter, U.S. Attorney General Janet Reno says that, as a result of extradition, drug traffickers will receive an appropriately severe punishment. Does this mean that Colombia cannot give out this punishment and that the United States is aware of this?

[Medellin] This is exactly what it means. If you observe that the head of a drug cartel is sentenced in Colombia

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to five years in prison, then you realize that the law is frankly inadequate and it does not comparable to the harm that these individuals have caused. But, we are modifying these laws. On 20 July we will present a bill that we expect will help to promptly correct the unfortunate situation of the Colombian justice system.

[Artunduaga] Which means that, before the entire world, Mrs. Janet Reno could be right, the United States could be right, and we could be wrong?

[Medellin] Edgar, I believe you are the one that spoke?

[Artunduaga] Yes, sir.

[Medellin] While I worked on my proposals, I asked Colombians for their opinions reagrding this issue. I asked my security chief, my architect, my university professors, politicians, reporters, if they believe it is right for a drug cartel capo to negotiate a five-year prison term and not have his assets confiscated, and the unequivocal answer of good Colombians — that is the majority of Colombians — is that what is occuring in Colombia is absurd.

Internationally, this situation is clearly understood. This is the situation we expect to change very soon.

[Arizmendi] Aside from the confiscation of assets, as Justice Minister, what do you believe would be a just penalty befitting the crimes against humanity committed by the former drug cartel capos?

[Medellin] Listen, Dario, we stduied the issue of penalties with the United Nations. I think it is not a matter of what I believe is or is not a just penalty. At this moment, there are three positions held internationally regarding the drug trafficking issue. One is a strong position, another a moderate position, and a weak position. These are the international norms regarding drug trafficking. The strong position is held by the United States and Great Britain, which includes penalties of up to life imprisonment. The moderate position is held by the rest of the European countries, such as Spain, Germany, and France, which includes penalties ranging from 15 to 20 years. The weak position is Colombia's position in which the penalty is five years. I believe that we have to position ourselves at least in the middle of the international norms.

[Arizmendi] That means, approximately 10 to 15 years imprisonment. That is the government's position, a reduced punishment after various concessions?

[Medellin] Yes, sir, drug trafficking penalties in the proposal are from six to 20 years.

[Artunduaga] Minister Medellin, when U.S. Ambassador to Colombia Myles Frechette formally gave the U.S. Attorney General's letter to you, did he add anything else? What additional words did you have with him?

[Medellin] It was a very short conversation. He gave me all the documents that form part of this request. He told me something that we already knew, because it has been a long-time U.S. public position, which is that they believe that the treaty is still in effect and that it should be implemented, that, in a certain way they understood that the Colombian Government had legal and constitutional arguments regarding extradition. However, we did not go into depth in our response to this request. [Arizmendi] What did President Ernesto Samper tell you and how did he react after he became aware of the U.S. official request regarding the extraditions.

[Medellin] That we should begin drafting a reply according to studies the Justice Ministry and Foreign Ministry have conducted over a period of months and years regarding this issue. Colombians have a certain degree of experience regarding this issue, as all of you know. We simply polished up the legal documents that we had on the issue, and we drafted a reply. The president asked that it be drafted quickly so that we could deal with the issue quickly.

[Arizmendi] Is it proper, Mr. Minister, that a dialogue is taking place between the Prosecutor General's Office and the Rodriguez Orejuela brothers to turn over assets in exchange for benefits, or would the ideal situation be to confiscate these goods.

[Medellin] No doubt, the ideal situation would be to confiscate these goods. Currently, the law provides that leagl authorities negotiate with criminals. Frankly, this is a regrettable situation. Without a doubt, confiscation would be best.

[Arizmendi] Minister Carlos Medellin, thank you for being with Radio Caracol.

Colombia: U.S. Request Said To Delay Drug Capo's Surrender

PA2706213296 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 27 Jun 96

[Report by Gloria Tisnes; from the "National Newscast"; monitored from live relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] Attorney General Janet Reno's letter is delaying the surrender of Helmer "Pacho" Herrera, the only drug capo who's extradition has been requested who is not under arrest, said Herrera's lawyer Gustavo Salazar Pineda.

Even though talks with the Prosecutor General's Office for the surrender to justice of "Pacho" Herrera were

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well under way, at this moment, Janet Reno's letter has paralyzed his surrender proceedings.

[Begin Salazar recording] If they keep insisting on such an absurd, inconsequential, and illegal issue, of course, as his defense lawyer, we are going to tell Mr. Elmer Herrera not to turn himself in. [end recording]

According to Herrera's lawyer, with this letter, the United States intends to discredit Samper's administration in order to again decertify the Colombian Government.

[Begin Salazar recording] What they are saying is, if you do not do this you are an enemy of the United States and a friend of the mafia bosses. Therefore, we believe that this is a hostile, senseless, deceiving letter. [end recording]

Colombia: Politicians React to Ex-Senator's Accusations

PA2806042396 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 28 Jun 96

[From the "24 Hours" newscast; monitored from relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] The political leaders incriminated by Maria Izquierdo at the Prosecutor General's Office today emphatically denied the former senator's accusations. They stipulated that no such meeting at ever took place at Santa Marta's Irotama Hotel to coordinate the presidential campaign.

[Begin recording] [Interior Minister Horacio Serpa] No, that is absolutely false. No such meeting ever took place. I myself have never met with those people, neither in Santa Marta nor anywhere else in the country, and I am also absolutely sure that neither has the president of the Republic.

[Santa Marta Mayor Edgardo Vives] The country is heading toward a total collapse because suddenly there are negotiations taking place aimed at obtaining the release of certain individuals in exchange for tarnishing the reputation of public officials who have conducted themselves in an honest manner. [end recording]

The political leaders implicated also expressed surprise with respect to the rapid manner in which the Prosecutor' Office decided to accept the validity of the former Senator Izquierdo's accusations. According to the political leaders, the Prosecutor's Office must only adopt a decision based on evidence. [Begin Liberal Senator Aurelio Irragorri recording, in progress] ... not simply based on unsubstantiated statements that originate as result of an intention to cause who knows what. [end recording]

In a letter to the "24 Hours" newscast, Mr. Alberto Giraldo, currently held at the National Modelo Prison, refuted the information disclosed by Maria Izquierdo. Giraldo acknowledges that on 28 Julio 1993 he was in Santa Marta, but says that he stayed at the Santa Mar Hotel with his wife and surveyed small banana plantation that has since been seized by the Prosecutor's Office. He claims: On several occasions I have been forced to contradict allegations by Mrs. Izquierdo Rodriguez. Once again, I would recommend that she memorize Psalms 120 that says: Oh Lord, save my soul from deceitful lips, from treacherous tongues. What will it earn them? Will it add to what they already have? Oh, treacherous tongues.

On the other hand, the Foreign Relations Ministry confirmed that Eduardo Mestres Sarmiento was the ambassador and head of Colombia's Permanent Mission to the UN in Geneva, from 21 January 1991 until 30 August 1993, therefore, he could not have been at the meeting claimed by Maria Izquierdo.

Colombia: Samper Rejects Ex-Senator's Disclosure

PA2806040696 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 28 Jun 96

[Report by anchor Jorge Enrique Botero and unidentified journalist from the "24 Hours" newscast; monitored from relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] [Botero] The "24 Hours" newscast yesterday broadcast part of Senator Maria Izquierdo's disclosure, which has been endorsed by the appropriate authorities. It mentioned 35 parliamentarians who, according to the senator, had had some type of contact with the Cali cartel. There was also mention of a meeting at the Irotama Hotel in Santa Marta.

Although our sources will remain unidentified, and although we do not doubt the veracity with which that the authorities give the information, we amend the information that was announced yesterday and we open our microphones, respecting the clarification rights of people who were mentioned in the report, as stated by the legal and constitutional laws currently in effect, and as it has been our invariable standard of conduct throughout the process.

[Unidentified journalist] Referring to this issue, President Ernesto Samper sent a severe letter to Prosecutor General Alfonso Valdivieso. He says that, first of all, he was never in Santa Marta on 29 July 1993, as Senator Izquierdo asserts. He then warned the Office of the Prosecutor General of the Republic that accusations should not benefit perjurers to the detriment of honest people's

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integrity. To defend his right to privacy and the good name of his family, he states:

I want to tell you that I will not let anyone continue to malign my honor or the honor of any good Colombian through the system of divulging — without verification or analysis — the fabrications of accused people who seek to attain legal benefits by appearing as informers or witnesses in cases subject to the confidentiality of proceedings.

Communications Minister Juan Manuel Turbay today asked the office of the Prosecutor General of the Republic and the Attorney General's Office to carefully investigate Senator Maria Izquierdo de Rodriguez' disclosure because he believes that, in her effort to attain a greater sentence reduction for the crime to which she confessed, she is prepared to continue perpetrating more abuse by testifying against innocent people.

[Begin recording] [Turbay] I have noted in my agenda that I had lunch with Dr. Billy Uribe on the 28th and with Dr. Nicolas Duarte on the 29th in Santa Fe de Bogota. At noon, I held a meeting with the campaign members and another meeting, to discuss my image, on the evening of the 29th.

[Reporter] Doctor, what is Maria Izquierdo's intention when she accuses people? What does she want?

[Turbay] I do not know what she wants. That is a slanderous and false statement. I am sure that our justice system cannot tolerate the use of totally false statements to obtain a sentence reduction. [end recording]

Moreover, the 24 Hours newscast confirmed that Maria Izquierdo has another investigation pending, when she was accused of exerting pressure on certain banking officials so they would destroy the files on the checks she admittedly received from the Cali cartel. As you know, when the former congresswoman was caught by the authorities she said she had received the money when she sold some cattle to pay a ransom for her husband, who had been kidnapped.

Colombia: Legislator on Conservative Party Division

96SM0409A Santa Fe de Bogota EL TIEMPO in Spanish 25 Jun 96

[Received via Internet]

[FBIS Translated Text] Yesterday, representative Mario Rincon, a member of the House Accusations Commission, who on two occasions voted in favor of accusing President Samper before the Senate, asserted that there is no "intermediate line" in the Conservative Party. He also precluded the possibility that 30 Congress members may meet with the head of state, as had been reported initially.

Rincon maintained that what exists is a bloc of representatives, who will make public their decision to become established as an opposition party, as announced by the chairman of the Conservative Board of Directors, Jaime Arias Ramirez.

He admits that the Conservative division is harming the party, and believes that the time has come to consider an internal referendum [consulta], to select the official candidate for the presidency.

Rincon claims that he does not recognize any enemies within the party, but warns that the government has taken upon itself the task of splitting the party, and contending with its members.

[EL TIEMPO] Are you all going to meet with the president, and for what purpose?

[Rincon] We see no need for doing so. We simply consider it indispensable to present to him the names of the persons in the opposition party, the Conservative Party.

[EL TIEMPO] But do you share the views of the Conservative Directorate, or those of the dissident line?

[Rincon] Of the Conservative Directorate. There are not three sectors, as has been claimed. There are two: the official line and another comprised of the dissidents, or what some have called the "lentils," but whom I consider dissidents.

[EL TIEMPO] What is it that you all want?

What we want is to make it known who the members of the opposition are. Ninety-nine percent of us are the same persons who were opposed to the acquittal in the House and, if you wish, I shall give you their names: Nelson Amaya, Roberto Camacho, Melquiades Carrizosa, Jesus Angel Carrizosa, Jaime Casabianca, Juan Ignacio Castrillon, Santiago Castro, Cesar Daza, Dilia Estrada, Norberto Guerra, Benjamin Higuita, Oscar Lopez, German Martinez, William Alfonso Montes, Carlos Alberto Parra, Jaime Arturo Pineda, Jaime Alonso Ramirez, Mario Rincon, Jose Dario Salazar, Fernando Tamayo, Humberto Tejada, Ramiro Varela, Jesus Antonio Vargas, Manuel Ramiro Velasquez, Pablo Victoria, Teresa de Huertas, Gabriel Zapata, Gustavo Catano, Alfredo Cuello, and Jaire Arturo Romero.

[EL TIEMPO] If you have rejected the meeting with Samper, what next?

[Rincon] This group will make the opposition group in the House official. It is backed by 19 senators, including

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four from the New Democratic Force and the Movement for National Salvation.

[EL TIEMPO] Does that represent the type of opposition that they will be exercising in the future?

[Rincon] We shall oppose what we do not agree with in the Congress, legislative acts and bills with government sponsorship, and we shall support what we consider good for the country. In this connection, for example, we have planned to file a bill for an opposition statute on 20 July.

[EL TIEMPO] How much harm is being done to the Conservative Party by the division that is evident today in its ranks?

[Rincon] It is doing great harm, because it reduces the possibilities of the party's becoming an alternative power. But, despite everything, I think that this process has helped to strengthen the party because, after all this, we are going to hold the convention in August. And during July, we shall be holding a program congress in Manizales.

[EL TIEMPO] Has the government contributed to the division in your party?

[Rincon] Yes, it has done so by recognizing a group that lacks legitimacy. The one that has legitimacy in the eyes of the electoral authorities is the Conservative Party, with right of representation.

[EL TIEMPO] What concrete proposals do you all have for surmounting the division in your party?

[Rincon] What we propose is that the party, united, devise a genuine ideological program for the coming years, which would serve as a basis for the 1998 presidential campaign to win the presidency, with a single candidate and through an internal referendum.

Colombia: Noemi Sanin on Viability of Opposition

96SM0409B Santa Fe de Bogota EL TIEMPO in Spanish 21 Jun 96

[Received via Internet]

[FBIS Translated Text] Yesterday, ex-Foreign Minister Noemi Sanin declared that the country is on the brink of "illicit impoverishment," and that the government is engaged in celebrating "victories that are ostensible and transitory."

In a lecture that she delivered yesterday during the luncheon sponsored every week by the Colombian Studies Center (CEC), the former foreign minister discussed the viability of the opposition's being exercised in Colombia.

She said that, although Samper has requested an organized opposition to surmount the crisis, "his actions are not aimed at respecting the opposition nor taking it into account, but rather at preventing it from being exercised."

Attending the luncheon were Sabas Pretelt, Javier Sanin, Juan Diego Jaramillo, and Daniel Mazuera Gomez, among others. There was a sizable crowd in the Guadalupe del Tequendama Room.

After recounting the failed attempts at creating a democratic opposition in Colombia, Sanin proposed a six-point list of requirements for institutionalizing the opposition in Colombia.

She cited the need for democratizing access to the news media, regulating or financing electoral campaigns and political parties, and restructuring the electoral districts so that the voters will know who is representing them and from whom they can demand results. Also mentioned was the need for making the Comptroller's Office and other monitoring and control agencies independent and professionalized; giving the opposition the chairmanship of congressional commissions, such as those on accusations and human rights; and ensuring the dissemination of the opposition's principles among the local governments, so that the administrative function will be controlled in the councils and assemblies.

Sanin concluded by saying: "The opposition cannot be confined to dissenting or obstructing; it must be capable of correcting its mistakes in time, and courageously. Its reason for existence is to construct options, and to offer a vision for a different, better future."

After her address, there was a question and answer session for those attending. The ex-minister claimed that this was not the time for discussing presidential candidacies, noting that, therefore, "I have deferred the topic of my personal aspirations."

Colombia: 'Credibility Crisis' Said To Continue

96SM0410A Santa Fe de Bogota EL ESPECTADOR in Spanish 26 Jun 96

[Commentary by Maria Teresa Ronderos—received via Internet]

[FBIS Translated Text] There are two attitudes that have been perceptible in the streets since the majority of representatives in the House decided that no one could hold candidate Samper responsible for what happened in his campaign, even though the latter was a total administrative, political, and ethical disaster, by all accounts, even that of attorney Nieto Roa.

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Such an arrogant decision has caused deep distress among the government's harshest critics. The illusion that justice would be served was shattered. The hope that, regardless of how weak it was, this democracy still had the courage to make those elected give the voters an account of their actions vanished.

They have been overwhelmed by a feeling of bitter resignation. They think that there is nothing to be done. They expect Samper to remain in office until 7 August 1998, and believe that, with the favors granted to ex-President Gaviria for the release of his brother, one of the government's strongest opponents has been neutralized. They claim that the gringo sanctions are too slow, and will only cause economic deterioration, but not definitive reactions. They think that the never very coordinated opposition has ended up dispersed, and that the announcement of the adjudication of private television next December has sent the anti-Samperist crusade in the news media reeling.

However, some are so crushed that they now believe that Serpa will be Samper's replacement. They have begun to view him as a great leader, as if it required major skills to win over the political class when one controls the checkbook for public offices. His aura as a leftist and his strong language enable him to pass himself off as a politician different from Heyne, Name, or Guerra Serna. But the fact is that the House kept perfect time with him, demonstrating how much it appreciates his great loyalty to the political patronage system.

Fortunately, not all those in the opposition are resigned to spending another six years under the decadence of being guided by political patronage.

The massive hissing that silenced Samper in Bucaramanga at the opening of the National Games is quite indicative of the fact that the deep-seated credibility crisis in the government still persists. There are many who see in the government's blustering toward the United States the dirty little war against the regime's opponents, and the growing brazenness in the distribution of public contracts to buy good will. These are clear signs of the Samper government's profound fragility.

That is why they believe that, now more than ever, the government's victorious attitude must be unmasked. An opposition discourse must be constructed, that will propose to the citizens something more than overthrowing Samper. Instead of weeping, the depressed opposition members could become united with a large sector of the public: the one that hissed at the president in his star minister's territory, the one that is convinced that it deserves rulers responsible for their actions, who can offer something other than narco-nationalism, hollow rhetoric, and patronage.

Ecuador

Ecuador: 52 MIG, Sukoi Planes, 150 Tanks Said in Peru

PY2706214196 Quito Voz de Los Andes in Spanish 1700 GMT 27 Jun 96

[FBIS Translated Text] The Ecuadoran press today reported the alleged arrival of 52 combat planes in Peru. These planes are destined for the Peruvian Air Force (FAP) at a time when Quito and Lima are involved in a peace negotiations process following the 1995 war over a border region that lacks border markers.

Reports published in EL UNIVERSO and EXPRESO newspapers from Guayaquil state that motors for 24 Sukoi planes and 28 MIG-29 planes arrived in Peru on 5 June. The Sukoi's will reinforce the FAP Sukoi fleet, while the MIG's were recently acquired from Belarus.

EL UNIVERSO newspaper reports cites Ecuadoran Armed Forces intelligence sources as saying the planes arrived dismantled for security and military strategic reasons.

The newspaper states that 80 Russian technicians and an equal number of Peruvian technicians are assembling the planes at a FAP installation.

The newspaper also states that Peru has reportedly purchased 20,000 Swiss-made 5.56 mm Sawer rifles and 2,000 metric tons of ammunition and grenades from Spain.

EL UNIVERSO states that 150 tanks purchased from Belarus are already in Peru. It adds that 40 percent of the tanks have already been deployed along the Peruvian-Chilean border, while the rest were deployed along the Peruvian-Ecuadoran border.

These reports, which appear on the front page of the two dailies, have not been confirmed or denied by Ecuadoran military or political sources. They add that the plane motors arrived in Peru aboard a Japanese merchant ship on the Russia-Japan-Callao route.

Ecuador and Peru are focused on a peace process with the endorsement of the guarantor countries.

Ecuador: Creation of Watch Posts Guarantors' Decision

PY2706230496 Madrid EFE in Spanish 1858 GMT 27 Jun 96

[FBIS Translated Text] Quito, 27 Jun (EFE) — Ecuador has delegated the decision to create new watch posts on the Amazon border with Peru to Argentina, Brazil, Chile, and the United States, guarantors of the peace

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process between the Ecuadoran and Peruvian Governments.

General Jorge Ortega, Chief of the Ecuadoran Armed Forces Joint Command, today said: "We are awaiting the decision of the guarantor countries" to install new watch posts opposite those presumably built by Peru on the border with Ecuador.

The forthcoming creation of watch posts "by no means implies a threat or that we are preparing a plan of attack on Peru," Ortega said, adding that the measure is similar to what was presumably adopted by Peru on the border.

"If Peru has created watch posts, we will also do so. Peru is not opposed to this," Ortega said. With this the threats made some two weeks ago will be fulfilled. Gen. Ortega then threatened to adopt" military measures" over the presence of Peruvian watch posts.

After stating that it is "normal" to install an Ecuadoran watch post opposite each Peruvian watch post, Ortega explained that the detachments to be created soon — he did not revealed how many — will comprise 12 or 15 people.

Ecuadoran Army Chief General Paco Moncayo said the presumed purchase of fighter planes by Peru "worries" Ecuador and Latin America as a whole.

The Ecuadoran press reported today, 27 June, the presumed arrival of 52 fighter planes in Peru for the Peruvian Armed Forces (FAP), just when Quito and Lima are engulfed in a peace process in the wake of the 1995 war over the dispute of a border area that lacks border markers.

The report released by the Guayaquil newspapers EL UNIVERSO and EXPRESO states that on 5 June 24 Sukhoi and 28 MIG-29 engines arrived in Peru.

Ecuador: President on Government's Achievements, Failures

PY2706120996 Madrid EFE in Spanish 1825 GMT 26 Jun 96

[By Maria Luisa Azpiazu]

[FBIS Translated Text] Washington, 26 Jun (EFE) — Ecuadoran President Sixto Duran-Ballen, who will step down from the Presidency on 10 August 1996, wants to be remembered as a "renovator who is respectful of human rights" and whose greatest achievement "is related to the country's economic reorganization."

In an exclusive interview with EFE, Duran-Ballen said: "In 1992 Ecuador was a country unable to control inflation, which was close to 60 percent. We have been reducing it gradually and now we have an inflation rate of 21 or 22 percent. Perhaps by the end of my term in office, we will have reduced it to 19 percent."

The Ecuadoran president, who met with President Bill Clinton at the White House yesterday, said that during his four years in government, the minimum salary increased from $53 to $157 monthly.

Although he says that "it is not sufficient," he added that obviously "the Ecuadoran worker is better paid now than ever."

In contrast, he believes that his greatest failure is "not having achieved everything promised concerning privatization and modernization," to a great extent because Congress did "not always" enact "adequate" legislation.

In an interview with EFE, Duran-Ballen minimized the corruption scandal that involved Alberto Dahik, his vice president, and said that "to this moment there is no evidence of a corruption problem."

Refering to the conflict with Peru, the Ecuadoran president said that to a great extent, "thanks to my action, for the first time the two countries are talking."

"I have decided to call for the implementation of the Rio de Janeiro Protocol, but at the same time I told the country and the international community that it cannot be implemented, and that for this reason, we had to look at it in accordance with the current geographic situation, which is different from what we had when the protocol was signed in 1942," Duran-Ballen explained.

Ecuador and Peru are facing an old conflict over the border line that extends from the Quebrada de San Francisco to the confluence of the Yaupi and Santiago Rivers.

Ecuador feels that the 1942 Rio de Janeiro Treaty is not in keeping with the current situation because it is based on a "geographical error," while Peru believes that it is valid and legal in all aspects.

The Rio de Janeiro Protocol has left 78 kilometers of the border without markers, a stretch that periodically — as happened in February 1995, at the source of the Cenepa River — becomes a focus of tension between the two nations.

Duran-Ballen said that on this occasion "Ecuador did not retreat," and added that "whenever the two countries show good will, it no longer matters who the president might be. The important thing is to have a true desire to find a just solution."

The Ecuadoran president said that integration is the future of Ecuador and Peru because "we are countries

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with the same ethnic, religious, and cultural situation on the one hand, and on the other, we have economies that can and must complement each other."

Thus, Duran-Ballen would have liked to find, as soon as possible, a solution to the conflict, but if he has been unable to achieve it, I hope "the next administration will be able to find a solution more quickly."

On this matter, Duran-Ballen declined to give "advice" to his successor. "I have only seven weeks left, and by no means do I want to hamper the action of the next president."

Duran-Ballen is convinced that if this armed conflict with Peru did not exist, his administration would have been more beneficial for his country because by the end of 1994, after having solved the foreign debt problem and having implemented his development plan, a growth of 4.5 percent was achieved.

He explained that for this reason, everything leads us to believe that 1995 was going "to be a year when we were going to achieve a growth of between 5.5 and 6 percent, leading us to a growth of approximately 7 percent in 1996."

But "the sudden interruption of the development process with this undeclared war, the three months of absence of tranquillity, and all the special expenditures, the flow of capital abroad and the reduction of bank credits ... caused the stagnation of the development process," he said.

Even so, the extraordinary thing is that "all these negative aspects have allowed us to conclude the 1995 balance with a 2.2 percent growth."

Duran-Ballen declined to give figures on the cost for Ecuador of the armed conflict and also refused to recommend to his successor the possibility of increasing the Armed Forces. He said that the Ecuadoran Armed Forces "have been extremely clear on the point of absolutely supporting the government, the democratic system, and the legally constituted power."

After his four-year presidency, Duran-Ballen, who is 75 years old and an architect, intends to return to his profession, "and, from the rear," to keep up the struggle for his country's development.

Ecuador: Lima Report of Military Coup Plotting Dismissed

96P20442A

[Received via Internet]

[FBIS Report] Ecuadoran officials have dismissed a Lima newspaper allegation that the Ecuadoran Armed Forces will carry out a coup if populist presidential candidate Abdala Bucaram wins the 7 July runoff elections. According to Quito HOY of 24 June, Lima EL SOL charged in its 22-23 June edition that "Plan Zorro" contemplates various actions from "psychosocial operations and electoral fraud" to coup d'etat or even assassination.

An Ecuadoran Ministry of Defense press spokesman, emphasizing that the information contained in the Lima article was "totally false," reiterated in the Quito daily HOY of 25 June that the Armed Forces were the "backbone of the electoral process and of democracy." HOY reminded readers of statements made by Defense Minister Alfonso Alarcon guaranteeing respect for the electoral process and promising to abide by the will of the people. The daily quoted Rear Admiral Gustavo Jarrin Ampudia as saying that the EL SOL article was part of "Peru's psychological war against Ecuador" to destabilize the country on the eve of the runoff election and to ruin Ecuador's reputation internationally while negotiations on the border issue were underway.

Meanwhile, Abdala Bucaram told HOY that the idea of an Armed Forces plot to stage a coup d'etat to prevent him from assuming the presidency is the type of "dirty campaign" waged by his rival's Social Christian Party. He added that he respects the Armed Forces, and that to link them to a coup d'etat is to offend an institution that is "technically, scientifically, and democratically able to defend the election results." Other presidential candidate Jaime Nebot also found the information "absurd," according to HOY. Nebot said: "The Armed Forces are a respected and popular institution." He noted his complete confidence that the military would guarantee a normal transfer of power.

Paraguay

Paraguay: Senate Resolution 'Deplores' Law Approval

PY2806031796 Asuncion RPC Television Network in Spanish 0000 GMT 28 Jun 96

[FBIS Translated Text] The Senate this morning approved a resolution rejecting the Helms-Burton law. This law strengthens the economic embargo against Cuba and violates the principle of the sovereignty of states.

In the first paragraph, the resolution deplores the approval of the Helms-Burton law because its extraterritorial character violates the principles of international law, the freedom of trade, and the relations of peace and friendship that must prevail among all Latin American peoples.

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The Helms-Burton law establishes sanctions against countries that maintain economic relations with the Republic of Cuba. This disposition was defined as being a grave interference in the affairs of sovereign states.

The document urges all Latin American congresses to maintain unchanged the principles of solidarity among peoples in the region and, in particular, their solidarity with the Cuban people. This resolution will be submitted to the Latin American Parliament and, through that institution, to the congresses of member states.

Paraguay: Brazilian President Arrives on Visit

PY2606224096 Asuncion Cerro Cora Sistema Nacional de Television Network in Spanish 1700 GMT 26 Jun 96

[FBIS Translated Excerpt] An official ceremony is now taking place to mark the presence of Brazilian President Fernando Henrique Cardoso, who is visiting our country. A few minutes ago, Cardoso dedicated the new Brazilian chancery building at the intersection of Mariscal Lopez Avenue and Peru Avenue. We will now contact the presidential palace. Jose Rojas, go ahead.

[Begin live relay] [passage omitted] President Cardoso came with a fairly large entourage: 32 people. After dedicating the new chancery building, he went to Government Palace.

The Brazilian president's flight also arrived with considerable delay. He subsequently met the president of the Republic at the presidential residence. Cardoso arrived at Government House at approximately 1330 today. [passage omitted]

At 1400 today Cardoso will go to the presidential residence, where he will have a private lunch with President Wasmosy. The Brazilian president will leave at 1730 today from the Silvio Pettirossi International Airport, where he will receive the appropriate military and civilian honors. [passage omitted] [end relay]

Paraguay: Wasmosy, Cardoso Sign Joint Communique

PY2806031996 Asuncion ULTIMA HORA in Spanish 27 Jun 96 p 32

[FBIS Translated Text] Paraguayan President Juan Carlos Wasmosy and Brazilian President Fernando Henrique Cardoso have signed a joint communique affirming their will to continue strengthening the two countries' bilateral relations within the framework of integration and democratic values.

The head of state of the neighboring country took advantage of his visit to our country to exchange points of view on regional and world matters with his Paraguayan counterpart. The two also reviewed the two governments' relations, verifying once more that these relations are developing in an atmosphere of brotherly cooperation.

Assumed Commitment

Both presidents agreed to make clear their intention to continue working together to improve their two countries' friendship and cooperation on bilateral matters as well as within the framework of Mercosur [Common Market of the South].

The two presidents recalled that on 22 June 1996 we commemorate the 30th anniversary of the signing of the "Yguazu Falls Act," which marked the beginning of a joint effort that led to the construction of Itaipu, a dam built thanks to the capacity and work of the two peoples.

President Fernando Henrique Cardoso was decorated by Engineer Juan Carlos Wasmosy with the National Order of Merit in the degree of Grand Collar, the highest decoration that the Paraguayan Government can grant to a friendly president in the name of its people as proof of the friendship uniting the two countries and in recognition of the two presidents' efforts to continue looking for a better future together.

Border Problem Solution

Colorado Party President Luis Maria Argana said that the ceremony commemorating the signing of the "Yguazu Falls Act" is just "one more date" in the history of the efforts that ended with the construction of the Itaipu Dam project.

"The most important thing about that document is that Paraguayan and Brazilian diplomacy, with the act, overcame an old and grave border problem in Salto del Guaira. The area was flooded and the problem disappeared."

So far no one has questioned the decision to build the hydroelectric project because, basically, it was a good initiative that could attract investments to the country, since we offer cheap energy for industries interested in settling here.

Asked his opinion about Cardoso's support to the Paraguayan process, the Colorado Party leader said only that "Paraguay's problems must be resolved by Paraguayans."

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Paraguay: Wasmosy Denies Brazilian Daily's Itaipu Charges

PY2606224796 Asuncion ABC COLOR in Spanish 23 Jun 96 p 2

[FBIS Translated Excerpt] At the end of the opening ceremony of the World Economic Forum in Buenos Aires yesterday, Paraguayan President Juan Carlos Wasmosy answered questions on the charges raised against him by the Brazilian daily O ESTADO DE SAO PAULO, which contended that Wasmosy was involved, through his construction and consulting firms, in overbillings and privileged contracts during the construction of the Itaipu hydroelectric plants thanks to his close ties with former Paraguayan dictator Alfredo Stroessner.

Wasmosy has been in Buenos Aires since yesterday to attend the Mercosur [Common Market of the South] summit.

Wasmosy denied the newspaper's allegations and noted that a Paraguayan politician who is trying to smear him is behind the article. He declined, however, to reveal the name of the politician.

Wasmosy stated that he has a clear conscience and that he has documents accounting for his participation in the construction of the Paraguayan-Brazilian Itaipu hydroelectric plant. He said that he is willing to show these documents to anyone wishing to verify them. [passage omitted]

Paraguay: Allegations of Corruption Involving Itaipu

PY2706011296 Asuncion ULTIMA HORA in Spanish 26 Jun 96 p 16, 17

[FBIS Translated Excerpt] Today is the 30th anniversary of the signing of the Yguazu Falls Act, which permitted the construction of the largest hydroelectric project in the world. This anniversary is being commemorated in the midst of reports of corruption — which have already been reproduced in the foreign press — that occurred during the construction of the Itaipu dam and that have tarnished even President Juan Carlos Wasmosy's name.

The date coincides with the presence of Engineer Juan Carlos Wasmosy as president of the Republic. The president participated in the construction of the largest dam in the world at the head of the Consortium of Paraguayan Enterprises (Conempa)

The foreign press has already given extensive coverage to discussion of the alleged acts of corruption, among which we must outline the articles published by the Uruguayan newspaper LA REPUBLICA and, recently, by O ESTADO DE SAO PAULO. In the case of the Uruguayan paper, the article led to the imprisonment of the authors as a consequence of a lawsuit filed by Wasmosy in Uruguayan courts.

Other reports — denied by Brazilian Itaipu Director Eculides Scalco — say that the Brazilian Foreign Ministry itself allegedly prohibited the organization of acts commemorating the date as a way to show its annoyance regarding the alleged acts reported in the press.

We must add to these reports the surprise of Brazilian legislators at the fact that the Fernando Henrique Cardoso administration agreed to receive part of the ANDE [National Electric Power Administration] debt payment to the Bank of Brazil in Brazilian foreign debt titles that were purchased by our country on the international financial market at 35 percent of their nominal value.

Cardoso Will Participate in Commemoration Ceremonies

Brazilian President Fernando Henrique Cardoso, however, is already in the country to participate in the ceremonies commemorating the signing of the Yguazu Falls Act, an unmistakable sign, according to Itaipu sources, that the president of the neighboring country does not believe what has been published in the press.

Also visiting our capital is the Brazilian Itaipu Binational Entity director general and members of the board of director and advisers, who have held routine meetings at the organization's headquarters.

Itaipu directors will participate in today's anniversary celebrations, which are viewed — from the diplomatic perspective — as a rejection of the reports on corruption. [passage omitted]

Paraguay: Minister on Country's Achievements in Mercosur

PY2706033096 Asuncion ULTIMA HORA in Spanish 24 Jun 96 pp 10, 11

[FBIS Translated Text] Buenos Aires — Industry Vice Minister Guillermo Sosa has said here that one of the Paraguayan delegation's most important achievements during the negotiations involving the Common Market Group has been the elimination, by Brazil, of the nontariff obstacles hindering our textile exports. Sosa said the measure is very important because Brazil is our textile industry's most important market.

The obstacle consisted of a requirement for Brazilian importers to pay for their purchases within a period of 30 days, that is, they were practically forced to pay cash for their purchases. "Paraguayan exports could not be financed," Guillermo Sosa said.

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"Brazil continues to apply the same measure on cheese and corn, but these are matters that will be discussed in later meetings. We must stress, however, that the decision on textiles is extremely important because 100 percent of our textiles are sold in Brazil," the official added.

Sosa said that the decision will help alleviate the difficult situation of the Paraguayan textile industry as the result of the entry of used clothing.

Contraband

Guillermo Sosa said that the Brazilian delegation promised to help solve the problem created by the contraband of sugar to our country. The official said that the two countries' missions scheduled a meeting in Brasilia next week to coordinate joint actions to face this scourge.

"We are doing all we can to stop the contraband of sugar. They promised to deliver information and to do everything possible to stop the passage of sugar to this side of the border. If we can do this, we will be able to maintain reference prices for sugar cane," Sosa said.

Advantages

Regarding the advantages of the Chile-Mercosur [Common Market of the South] agreement creating a free trade zone, Sosa said: "It is an extension of the market and we obtained preferential tariffs that we can use to place our products in Chile. There are new possibilities of investments and we can speed up our physical integration with the construction of the bi-oceanic corridor."

Automatic Adjustment Clause

Another important achievement for Paraguay is the maintenance of an improved automatic adjustment clause. This clause guarantees the supply of raw materials to our industrialists. According to the clause, which was improved during Common Market Group meetings, Paraguay will be able to import raw materials from outside of the zone in case of scarcity in Mercosur member countries.

"The problem that affected the plastic industry will not affect us again. This problem involved the impossibility of purchasing polymers in Brazil and the ban on importing the product from outside the zone.

Now we have quantity, quality, and prices assured. If these elements are not satisfactory, we can import the polymers from outside the zone," the official added.

Our beef will enter the Chilean market with a tariff preference of 75 percent, that is, the shipment of beef from Paraguay will pay only 25 percent of the tariffs that Chile charges other countries that are not in Mercosur.

The export of national vegetable oils will have a tariff preference of 66 percent, according to what was agreed upon during the negotiations at the Common Market Group, Miguel Britos said. Britos is a Paraguayan Foreign Ministry official and one of the most important negotiators before the Common Market Group.

Paraguay: Brazil Sees No Need for Armed Forces Integration

PY2706010096 Asuncion NOTICIAS in Spanish 26 Jun 96 pp 22, 23

[By unidentified correspondent in Buenos Aires]

[FBIS Translated Text] Brazilian President Fernando Henrique Cardoso stated in this city that the South American countries "do not need to integrate their Armed Forces, as is the case with their economies, because we have no intentions of waging a war with anybody."

Cardoso said he is all for "a great military cooperation" in the region to, for example, defend the countries of the region from drug trafficking, but said that "there is no need to make any further progress in this field because there is not going to be a war."

During an open debate with his Mercosur [Common Market of the South] colleagues, within the framework of the World Economic Forum, held in a hotel in downtown Buenos Aires, the head of state cited as an example of cooperation the fact that Brazil "has aircraft carriers but no aircraft. Therefore, Argentina may use our carrier for its aircraft."

During a more refreshing and relaxed chat than the previous arid and solemn speeches, Cardoso, together with his counterparts Carlos Menem of Argentina, Juan Carlos Wasmosy of Paraguay, and Julio Maria Sanguinetti of Uruguay, exchanged opinions with businessmen.

Menem, in turn, said that informatics "is a two-edged sword" and commented upon his surprise at learning that the Colombian guerrillas use Internet to disseminate their ideology. The head of state said that "if delinquents and organized crime use it to get in touch with one another or recruit followers, informatics would be causing society great harm." When asked his opinion about the role Mercosur will play in the coming millennium, the Argentine head of state responded by saying that it will "represent the global Latin American integration and its strong presence in the world."

When Sanguinetti was asked his opinion, he said that we have overcome the "times in which contraband

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represented free trade without bureaucracy," because the governments are getting rid of obstacles and barriers. But when it came to comparing the partnership of countries of the region with those in other continents, he asserted that "fortunately we are free of the great hatred" that divided countries in other latitudes.

Paraguay: Former President Rodriguez Confirms Revolt

PY2706022296 Asuncion NOTICIAS in Spanish 22 Jun 96 p C7

[FBIS Translated Text] The testimonies of important representatives of the country's political organizations are rapidly complicating the legal situation of allegedly seditious General Lino Cesar Oviedo, retired, who currently is in preventive detention at a military unit in Itaugua. The deposition of Andres Rodriguez, former president and current senator for life, which was handed to Judge Alcides Corbeta yesterday, seriously damaged Oviedo's case and confirmed that the general tenaciously resisted General Order 91 issued by the Armed Forces commander in chief ordering his replacement as Army commander.

Rodriguez said his involvement in the events was limited to the role of mediator in the following manner: On 22 April, at approximately 1000, he received a telephone call in Buenos Aires. He was greatly surprised when he realized that the caller was President Juan Carlos Wasmosy. The president asked him to return to the country in view of very exceptional circumstances. Rodriguez added that Wasmosy then gave the phone to Gen. Oviedo, who was apparently next to him, and Oviedo reiterated the request because he and the president thought his presence here could be very useful to resolve a critical situation (clear recognition of the crisis).

"I told them that it would be impossible to take any regular flight. The president then took the phone back and told me that he would send a plane to fetch me, repeating that my presence in Asuncion the same day was imperative. In these circumstances, I accepted and asked them to give me the information necessary for my return to Asuncion.

Rodriguez departed from the metropolitan airport at 1500 and arrived at the Silvio Pettirossi Airport in Asuncion at 1615. His son-in-law, Gustavo Saba, received him at the airport and drove him to his residence, where he stayed a few minutes. Then he was taken to the presidential residence for a meeting with President Juan Carlos Wasmosy. The president briefed Rodriguez about the existing differences with Gen. Lino Cesar Oviedo, who was refusing to obey the order replacing him as Army commander. Wasmosy asked Rodriguez to talk to Oviedo and try to persuade him to obey the presidential order.

"I, therefore, went ahead. The guard at the entrance of the 1st Corps informed me that Gen. Oviedo was expecting me at his residence in the Military Village. I drove in that direction, but when passing by the 1st Cavalry Division command office I saw a car that I thought belonged to Oviedo parked in front of the building. I slowed down and parked behind it. At that time I saw Brigade General Julian Riego walking down the stairs from the upper floor of the command building and I stepped out of the car and greeted him, considering his rank. I congratulated him in advance on the occasion of the Day of the Cavalry, which was to be celebrated the next day," Rodriguez said in the first part of his deposition.

Rodriguez added that he did not enter Gen. Riego's office. After the courtesy greetings, he continued toward the residence of Gen. Oviedo, with whom he exchanged cordial greetings.

Rodriguez then informed Oviedo of the mission given him by the president of the Republic in his capacity as Armed Forces commander in chief. Rodriguez said Oviedo responded by asserting that there was no way he would accept being removed, and added that the problem could be solved only if the commander in chief tore up General Order 91, which had already been signed.

Rodriguez said he and Oviedo exchanged arguments and Rodriguez suggested to Oviedo that he consider the advisability of changing his attitude, in view of the respect owed by all citizens to the principles behind the events of 2 and 3 February 1989.

"Gen. Oviedo stood his ground adamantly and asked me to transmit his answer to the president."

"I then withdrew to the house of one of my daughters, from where I immediately called President Juan Carlos Wasmosy to tell him that I was not successful in my mission and to inform him of Gen. Oviedo's message. I also told the president that I would return immediately to Buenos Aires, where I had left my wife alone and in delicate health."

Paraguay: General Ayala Named Antinarcotics Chief

PY2606170296 Asuncion ABC COLOR in Spanish 25 Jun 96 p 3

[FBIS Translated Excerpt] Through Decree No. 13895, which was countersigned by Interior Minister Juan

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Manuel Morales, President Juan Carlos Wasmosy yesterday appointed Brigadier General Carlos Alberto Ayala Gonzalez, retired, as the new executive secretary of the National Antinarcotics Secretariat (Senad), replacing Division General Jose Tomas Centurion, retired. Gen. Ayala is among those forced into retirement by General Lino Oviedo.

When Gen. Ayala was serving as commander of the 1st Infantry Division on 18 December 1994, he engaged in a heated controversy with General Lino Cesar Oviedo, who was then the Army commander. The clash sparked persistent rumors of a coup at a time when President Wasmosy was attending a Mercosur [Common Market of the South] summit in Ouro Preto (Brazil). [passage omitted]

On that tense day, rumors had it that Oviedo was going to revolt against Wasmosy because the president refused to remove Ayala, who was one of his loyal men at the 1st Infantry Division, a key unit for keeping Asuncion under control in case of a coup attempt.

Centurion's replacement coincides with a controversy provoked by the purchase by Senad of three helicopters that date back to the 1960's at the price of about $1 million each. [passage omitted]

Ayala's appointment dispels persistent rumors circulating in recent months that assumed that Juan Angel Dellavedova, a supporter of former President Stroessner who is currently consul in Miami, would be the new Senad head.

The United States recommended that a civilian be appointed as Senad chief. Until the removal of Gen. Oviedo from his post as Army commander, the United States was distrustful of military officers.

Oviedo was arrested and is standing trial in connection with the April military crisis. [passage omitted]

Peru

Peru: Clinton Exerting 'Pressure' for Peace With Ecuador

PY2706153496 Lima EXPRESO in Spanish 25 Jun 96 p 2A

[Commentary by Manuel D'Ornellas: "Pressure in Washington"]

[FBIS Translated Text] Ecuadoran President Sixto Duran-Ballen is meeting today in Washington with his colleague Bill Clinton. Ecuadoran diplomacy has been craving to make such an announcement ever since the U.S. President held a similar meeting with [Peruvian President] Alberto Fujimori one month ago. It has been able to do that just barely before Duran-Ballen ends his troubled presidential term and hands over the Presidency to whomever is elected: either Jaime Nebot or Abdala Bucaram.

This issue is completely irrelevant, however. In Ecuador, it is the military who design foreign policy and civilians merely implement it. Ecuador is experiencing an institutional situation remarkably similar to the one Peru experienced shortly before the 1968 coup: Just as "official" policymakers do, the military and military institutions devote their time to drafting an alternative national development policy. Eventually, elected officials will be forced to accept this policy — just as [former President] Bordaberry was forced to do in Uruguay in 1973 — or be ousted.

This doctrine and the theories upheld by [former President] Velsco Alvarado [1968-1975] three decades ago placed a similar emphasis on the "militarization of the state," a concept originally upheld by Nasser's officers in Egypt in the 1950's. According to this theory only the military are pure patriots; while politicians are outright traitors or corrupt. The big difference lies in that Peruvian coup plotters believed they were "legitimizing" their actions by implementing collectivist social reforms, while the Ecuadoran military are merely trying to carve out "a vital space" for themselves by resorting to fascist policies...but in Peruvian territory. This is tantamount to upholding aggression as an ideology.

Another substantial difference is that while Velasco's followers promoted a Yankee-go-home policy — proudly hoisted as one of its important banners — the Ecuadoran military boasts about the excellent ties they have developed with the United States. As some contend that Washington envoy Luigi Einaudi — combining European cynicism with U.S. pragmatism — purportedly said during his visit to Lima last year: "While you have been fighting with us since 1967, since [former President] Belaunde bought the Mirage planes; they have not, and that is paying off today."

Whether that phrase was said or not, the fact is that now Clinton is pressuring Ecuador and Peru to achieve a lasting peace agreement — encompassing a territorial concession? — or a formal nonaggression treaty this year. This is to be achieved preferably before the U.S. elections in November. This is why he has already stated that he will withdraw U.S. logistical support from the MOMEP [Ecuador-Peru Military Observers Mission].

Be that as it may, and in view of the enormous pressure that will be exerted, it is a blessing that after his return from his "face-to-face" meeting with Ecuadoran Foreign Minister Galo Leoro, Foreign Minister Francisco Tudela is enjoying virtually unanimous support from

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all national sectors. As Martin Belaunde stated yesterday in SI magazine, "the weariness of the guarantors" is starting to show. Particularly in Buenos Aires, and of course in Washington.

Peru: Confirmation of Ecuador's Leoro Said 'Positive'

PY2806020796 Madrid EFE in Spanish 1552 GMT 27 Jun 96

[FBIS Translated Text] Lima, 27 Jun (EFE) — Peruvian Foreign Minister Francisco Tudela stated today that the possible ratification of Galo Leoro Franco as Ecuadoran foreign minister would be "positive" for the Ecuadoran-Peruvian peace process.

Tudela said: "Peru trusts that the Ecuadoran state will respect the agreements it had signed so far, independent of who might assume as head of its foreign policy."

He added: "It is obvious, however, that because of the leadership of Foreign Minister Leoro in relations with Peru, his possible ratification would be positive because he is most acquainted with this process."

The Peruvian foreign minister said the peace negotiations with Ecuador "have their own pace and the two countries must adapt their talks to the situation."

He added: "Peru is interested in maintaining the pace of the Itamaraty [Brazilian Foreign Ministry headquarters] process, but it is also very important to understand that this process is complex and cannot be accelerated without considering the political situation of the involved countries."

He termed an "unattainable theory," the supposed Ecuadoran posture that Peru must yield some territory, "taking as a pretext the insistence of the guarantors of the Rio de Janeiro Protocol (Argentina, Brazil, Chile, and the United States), to prevent the Ecuadoran-Peruvian conflict from being protracted."

Ecuador and Peru waged an undeclared war in 1995, which began over an old Ecuadoran territorial demand.

Tudela also reaffirmed his rejection of the Ecuadoran proposal to submit the border conflict to arbitration, "because we had an arbitration before (1945) which issued a ruling the parties must respect."

Moreover, the Peruvian foreign minister confirmed that Ecuador sent an official report on the situation of Peruvian citizens who are missing in Ecuador, and in which the Ecuadoran officials admit the disappearance of only four people.

The report "only refers to three concrete cases, and a fourth that falls more under the diplomatic field," referring to Eduardo Gonzalez, Peruvian consul to the Ecuadoran city of Machala, who was beaten and tortured by military men who played "Russian Roulette" with him.

After considering "very serious" what happened to Gonzalez, Tudela recalled that Gonzalez' car was stolen and found later in the hands of an Ecuadoran Army captain, "which also deserves an explanation."

The minister said that those and other cases confirm Peruvians residents in Ecuador "live in a hostile environment and suffer continuous mistreatment, and for this reason we will bring action to the appropriate international organizations to guarantee their safety."

He concluded by saying that the cases of missing Peruvians will be brought to the OAS Human Rights Commission as soon as possible.

Venezuela

Venezuela: Colombian Forces To Develop Missiles for Border

PA2706160496 Caracas EL NACIONAL in Spanish 25 Jun 96 p 7D

[Report by Jesus Eduardo Brando]

[FBIS Translated Text] Official sources confirmed to EL NACIONAL that the Colombian Armed Forces [FAC] are currently developing a program for the manufacture of medium-range missiles known as "Guayagunes," which would be destined to strengthen its border posts.

FAC technicians, as well as civilian specialists, are working on the project and their activities are being carried out under the supervision of the Air Force's Strategic Intelligence Center (CIE) at the Madrid Base. The base is located in Colombia's Amazonian area, on the northeastern region and at the Venezuelan border. The CIE is a key organization for the neighboring country's military organization, and its facilities are used to train pilots and ground technicians in the Kfir air system. Its laboratories also conduct other types of research, including the one dealing with germ warfare.

Our sources indicate that the "Guayagunes" missiles can carry out surface-to-surface missions against military targets such as tanks and enemy facilities; or surface-to-air missions against enemy airplanes, or to neutralize "early warning" alarm systems. These systems involve radar programs that warn about any aerial navigation outside the limits established in a given airspace. Their guided missile system to date is made up of Israeli-made "Iron" missiles.

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Satellite Information

Moreover, we have learned that the U.S. Defense Secretariat sent a proposal to Venezuela, through the foreign ministry, requesting authorization to access the "Simon Bolivar" satellite, to share and exchange unclassified military information.

The satellite is financed by the community of Latin American countries that currently comprise the Andean Pact: Venezuela, Colombia, Ecuador, Peru, and Bolivia. According to the U.S. proposal, the information areas would be oriented to the logistics, scientific, medical, technological, and economic sectors.

Suriname

Suriname: Purge of Bouterse Supporters in Army Reported

BR2706143996 Amsterdam DE VOLKSKRANT in Dutch 27 Jun 96 p 3

[Report by Jeroen Trommelen: "Purge of Bouterse Supporters Among Surinamese Army Leadership"]

[FBIS Translated Text] Amsterdam — Over the past few months the upper ranks of the Surinamese Army have been almost silently purged of almost all officers seen as loyal to former Army Chief Desi Bouterse. This has happened in the wake of the Surinamese elections by means of dismissals, resignations, and transfers.

As a result, Bouterse is no longer able to count on the support of the second level of the Army command, this fresh wave of departures coming after the forced departure of former Bouterse supporters Graanoogst, Zeeuw, Sital, and Mijnals in 1995.

The most notable departure is that of Lieutenant Colonel Boerenveen, one of the two commanders of the former Bouterse guard, who had managed to retain a senior position. Boerenveen, convicted in the United States of attempted cocaine trafficking, was one of the first members of the military to come out in favor of democracy and was even appointed new Army chief, a post which would subsequently pass to Commander Gorre, who has already departed.

Boerenveen had regained support in wide circles by, among other things, becoming actively involved in Army reorganization, partly achieved with the help of the Netherlands. Two weeks ago Surinamese Defense Minister Gilds suddenly dismissed him from his post.

Well-informed sources reported that in the run-up to the elections Commander Boerenveen was campaign manager for the NDP [National Democratic Party] in the Surinamese interior. It seems that logistic resources of the Defense Ministry were used to help achieve victory for Bouterse. This effort was successful as the NDP scored excellent results in the interior.

During the election campaign a second Bouterse supporter, Lieutenant Colonel Christopher, head of strategic planning in the Army, also fell into disgrace. Originally it seemed that Defense Minister Gilds wanted to save Christopher, former principal private secretary of Bouterse's National Authority. Christopher has been declared "persona non grata" in the United States and the Netherlands, in a way which Gilds did not like. His lieutenant has been refused a visa due to suspected involvement in drug trafficking and human rights violations in 1982. Due to this visa problem Christopher often had to follow an itinerary different from that of his superiors on official trips. In April, for example, he did not fly to China with Gilds via the United States but via Brazil. Intelligence services also reported that he took the opportunity of this diversion to establish political and military contacts with Brazil, on the assumption that Bouterse would win the Surinamese elections. Gilds later saw Christopher as being untrustworthy and too opportunistically concerned with his own future.

Land Forces Commander, Lieutenant Colonel Jannsch, a self-professed Bouterse supporter and NDP member, was also forced to resign from his post two and a half months ago when he was transferred to a dead-end job at the ministry. He was replaced by Lieutenant Colonel Mercuur, who has no political ambitions, but who was seen as a supporter of President Venetiaan's NPS [Suriname National Party]. The services of a former member of Bouterse's intelligence service, Shiamraj, whose sympathies were doubted by some, are also reported to be "at the ministry's disposal."

Various assumptions have been made about the increasing dynamism of Defense Minister Gilds, a member of the small government party SPA [Surinamese Labor Party]. Over the past five years the minister had to devote a lot of time to various difficult issues. Bouterse's departure was followed by a smoldering conflict with his successor, Gorre, who although no longer loyal to Bouterse was one of the 16 involved in the coup. The tension eased with the arrival of the present commander, Colonel Sedney.

Gilds also had to devote a lot of time to granting a salary bonus to soldiers who transfer from the Netherlands to the Surinamese Army. Gilds is known as one of the strongest members of the present government. He has already suggested that he has his eye on a further term in the job. "It would be meaningless for the energy invested in this department to be lost."

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